Pabrai Investment Funds/ Dhandho
2024 Annual Meeting Transcript

Note: This is the transcript of the meetings held in Austin, Texas on April 20, 2024, and a virtual meeting on April 27, 2024. 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): 2024 Annual Meeting Presentation

Mohnish: Welcome everyone. It is great to have everyone here.

Introduction (Slides 1-3):

We will start with a video that Alpha Natural Resources put out a few months ago.

Slides 4-5:

I will go over some updates on Pabrai Funds, then Dhandho Holdings, and Dhandho Funds. We will then get into the Q&A, which is the most fun part for me.

Slides 6-9:

We will get going with the Pabrai Funds summary. Pabrai Funds will be exactly 25 years old in about six or seven weeks. We have got three funds. The only reason we have three funds is because we are required by law to separate different classes of investors. If you look at these funds from their inception through Q1 2018, all of them beat the S&P 500 after all fees and expenses by some significant margins. You can see that over here, PIF2 had 11% outperformance over its history. PIF3 is about a 6.8% outperformance over its history till 2018. PIF4 was about 1.3% ahead.

Slides 10:

Then we hit a big air pocket for the next two years 2018 to 2020. The three funds were down about 30% annualized, which is almost a 50% drawdown. In that period, the S&P was up about 1% a year, and the main reason for that drawdown was that we had two big winners Rain Industries, which we will talk about a little bit later, and Fiat Chrysler. We had very strong returns and both had significant drops. In the case of Fiat; the CEO died suddenly. The business changed quite a bit after that.

Slides 11-12:

From April 2020 till recently, the funds have had a very strong performance; around 18 to 29% a year in the last four years. The S&P has been on fire in the last four years, but we were even ahead of the S&P in two out of the three funds. If we look at it for the last year, approximately, it is a very strong performance by all the funds, around 70 to 78%. If we look at it to date, it is also well ahead of the S&P.

Slides 13-14:

There is a big focus on keeping frictional costs low at Pabrai Funds. We do not charge any management fees. We also do not charge most expenses that most funds would charge. The only thing investors pay for is the third-party audit, accounting, tax, and administration expenses that we pay to our service providers, like PwC. Mainly because the assets are a little larger, they have been amongst the lowest they have ever been - five or six basis points. A year ago, it was five to eight basis points. It is the lowest that I know of across the entire mutual fund and hedge fund industries. We have no management fees, just performance fees. If I had a 2 and 20 structure, I would be taking in about $17 million a year for breathing and doing nothing else. The funds are subject to high watermarks, so there are no performance fees paid until we are at all-time highs and higher than 6% annualized on the previous highs. If we look at the history of Pabrai Funds, I collected no fees for the 10 years between 2007 and 2017. I am good at living on fresh air and water. We hit an all-time high in mid-2007, then we had the financial crisis. We took a large drawdown north of around two-thirds of the capital; a 65-66% drawdown from the all-time high. We did not shut the funds and start over. We soldiered on and we had to come back above the previous high at 6% a year. If we were at a hundred in 2007, we had to be over 160 by 2017. It was a journey from 34 or 35 to 160 and we did that. I got paid quite well in 2017 and 2018. Then again, the funds took a drawdown in the 2018 to 2020 timeframe. We have not collected a fee for approximately the last six years, and that is also okay because that is the deal. It makes sense. People think Pabrai Funds is a weird or even non-sustainable business model, but if you take the entire 25-year history of the funds, and just look at it as a business in the 25-year history, the total fees that have been paid by investors have been around $140 million or so. The total expenses that I incur, which are not reimbursed by the funds, are less than $15 million. It is an 88% pre-tax business. There are very few businesses with those economics, and so I am perfectly happy to run this. No problem. There is no leverage, no margin loans, and no short positions. We do not have institutions because the makeup of our portfolio would give a lot of institutions and a lot of indigestion. But we have 320 families worldwide, and they get it. There is a wonderful group of people, and I am happy to have them as partners.

Slides 15:

The SEC of India changed some of the disclosure rules which were quite onerous from our point of view. We are a registered foreign portfolio investor in India. These rules would have required us to disclose the identities of all our investors, but we do not have much issue with that disclosure to a regulator. But beyond that, if there is an entity, they wanted the identity of every single shareholder. On top of that, they wanted to know who is an Overseas Citizen of India (OCI), and all of this. It would be really difficult from a governance point of view and compliance point of view for us to continuously keep track of who is an OCI, and who is not. Also, it would be difficult for us to get all the underlying shareholder information for each entity investor. We decided that we were going to exit India. The regulator gives us six months to exit if we do not meet their requirements, so we are going to exit India. We have a way to access India in a limited way through P-notes that are issued by various investment banks. We have started buying these P-notes to replace one of the stocks that we are selling. The P-notes are okay, but they have higher frictional costs. We would incur about 0.7% a year in fees with this P-note arrangement.

At the end of the day, we will not have more than one or two positions that we will access this way in India in any case. While India has a lot of tailwinds and is growing very rapidly, the market is far from cheap; it is very overheated, and there is a lot of money flowing into the market from Indian investors who are opening brokerage accounts for the first time. India will be a much smaller portion of the pie going forward.

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We have about $860 million in assets under management. The largest position is more than $260 million. We are up more than 10x on this position in Turkey. We own a third of Reysas. When we invested, the market cap was under $25 million. We paid probably less than $8 or $9 million for that position. My best guess on the current liquidation value of that business is over $1.4 billion, and our portion of that liquidation value would be around $550 million. Of course, if you talk about the intrinsic value and not the liquidation value, it will be even higher than that. It is run by two very gifted capital allocators. We have owned the business for five years, and I have never seen them make a mistake. They are very prudent about how they go about running their business. It is a very significant portion of some of the funds, and I want you to be aware of that. Reysas makes up about 30% of the pie for PIF2. PIF3 owns about 20% of the entire company. It is almost half the assets in PIF3. PIF4 has a relatively small position at about 8%.

Slides 17-18:

Another company, TAV Airports, is based in Turkey but has operations in eight different countries. A large portion of their revenue comes from outside Turkey. Even the revenue within Turkey is almost completely denominated in Euros. Even though TAV is based in Istanbul, and even though the Turkish lira has all kinds of issues with heavy inflation and devaluations, it is a tailwind for TAV because their revenues come in Euros and their expenses are in Lira. The expenses do not rise as high as the devaluations are. They have been a beneficiary of all the craziness in Turkey. This is one of the best businesses we own. I would rate Reysas as number one. I would rate TAV as number two; a very cheap and truly exceptional business, led by an exceptional management team. It has a lot of bench strength, extremely good governance, and is very cheap compared to other global operators. They run it well.

I visited the Almaty airport in Kazakhstan in October 2022. TAV purchased this airport in 2021 when there was zero passenger traffic. This deal happened in the middle of COVID when there was a lot of uncertainty about when air travel would come back and in what format. This was one of the deals of the century that they got when they bought this airport. Most airport deals are BOT, that is *build, operate, transfer*, where the government will give the rights to an operator for 20, 30, or 50 years. They will put up a lot of Capex, build airports, terminals, or infrastructures, and against that, they get to collect passenger fees and duty-free and so on. What was different about the Almaty deal was that it was an outright purchase. This is not an asset that would go back to the government. It is owned by TAV forever. A very small number of airports around the world that are privately operated are in that type of situation. Almaty has just incredible demographics. Kazakhstan is a very wealthy country. The per capita GDP is quite high. Anyway, they invested about $120 million in equity. All the passenger numbers that are coming out have gone way past 2019 pre-COVID numbers. The international traffic at Almaty is growing at over 20-25% a year, and that is going to continue for a long time. There have been some low-cost carriers that have come in. It is a country that is larger than Western Europe in size, so air travel is the most logical way to get around. That population is dramatically increasing the use of airports and planes.

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We also have a significant amount invested in the coal industry in the US, mostly in metallurgical coal. Coal is a four-letter word in the US and around the world with the ESG push and all of that. But what gets lost in that narrative is a lot of confusion between met coal and thermal coal. Metallurgical coal is required if we want to have a civilization. There is no sensible alternative to producing iron and steel from iron ore except by using met coal. Blast furnaces are being commissioned, and they will be commissioned into at least the mid-2030s, mainly in Asia. These blast furnaces have a 50-year life. No one builds them to retire them in 10, 20, or 30 years. Even in 2070 and 2080, assuming there is met coal available, those blast furnaces will be cranking. These are very long-lived assets, and no investments are going into this space. There is no financing available. Even these companies, which are net cash positive with pristine balance sheets, have difficulty getting insurance and letters of credit. Banks do not want to deal with them, so the barriers to entry to creating new mines are high.

At the same time, iron and steel demand is increasing from year to year, and so it is a great place to be. These companies are doing exceptional capital allocation. They have very simple math. They are buying back. If you look at something like Alpha Natural Resources, every dime of extra cash flow goes into buybacks. When you look at their low valuations and the furious buybacks, they will take out 80, 90% of shares outstanding probably by 2030 or 32 or 33 or something.

Slides 20-26:

Anadolu Efes and Coca-Cola have about $120 million value in their portfolio. Anadolu Efes is the largest beer brand in Turkey. It is a market leader in five of the six countries it operates in including number one in Russia, number one in Ukraine, and number one in Turkey. This is one of the highest quality, best corporate governance families in Turkey. They have a pristine reputation. They have some of the best international brands and companies as their partners for several decades because they can conduct themselves so well. Coca-Cola Icecek, which is the third largest Coke bottler in the world, is 50% owned by Efes. CCI trades as a company by itself, but half that stock is owned by Anadolu Efes and the company. The family that owns Efes has all of their shareholding of Coca-Cola Icecek through Anadolu Efes. Most of our shareholding is exactly where the family is at. Most of our holdings are through Anadolu Efes. Not only does the family have a pristine reputation, but the management team is off the charts just exceptional. They brought in a new CEO to run the Coke bottler in Istanbul. When I met Kareem last year, he had been in the job for maybe three or four weeks. He didn't even have business cards then. I was, quite frankly, blown away. I could not believe that they were able to hire someone like him. Kareem is making a lot of changes. They recently got the bottling rights for nearly two-thirds of Bangladesh. When Coca-Cola Icecek gets these bottling rights in different countries, these are transactions that may happen once in a hundred years, or maybe not even at that frequency. It is one and done. These are one-of-a-kind assets that do not come up for sale very often. If you look at Bangladesh, just to give you an idea of what is going on with Bangladesh, the red in these bar charts is the number of per capita eight-ounce servings consumed per year in each of those countries. For example, in Bangladesh, the average person is having 10 cokes in a year. In Kazakhstan, it is 236 cokes per year per person. All these countries that are in red are places where Coca-Cola Icecek does the bottling. They do a hundred percent of the bottling in Kazakhstan, Turkey, Uzbekistan, and Pakistan, and two-thirds now in Bangladesh. What I want to point out in that previous chart is that 10 cokes per year in Bangladesh is an anemically low number; that includes all Coke and Coke products. CCI acquired the Coke bottler in Uzbekistan in 2021. Again, once in a hundred-year type deals, and probably maybe even less than that.

The Uzbekistan Coke bottler was a 50-50 joint venture between Coca-Cola in Atlanta and the Uzbek government, which is part of the former Soviet Republic. Their idea of running a Coke bottler is to have people show up at the factory gate, pay cash, and then take as many cases as they want. They had no distribution. They had no trucks. They only bottled about three different coke products out of more than 200 that coke has. Coke was extremely unhappy with the Uzbek situation, and they had repeatedly been asking the Uzbek government to let them buy their stake, which the Uzbek government always brushed off. Finally, in 2021, the Uzbek government said that they were going to sell their stake, but they would not sell it to Coke; they would sell it to the highest bidder, which is not what Coke wants. They want control over who the bottler is. What Coke did is it asked CCI, who is its blue-eyed boy, the most favored bottler in that part of the world, to bid for the 50% that the Uzbek government owned. They told them, “Make sure you do not stop bidding till you win. Pay any price to get that bottler.” Of course, CCI told them, “We have got a business to run. We cannot be paying any price.” They said, “No, we will sell you our half at a very low price to make the deal work for you.” CCI bid, and Coke gave them their half at a much lower price. The combined deal was $342 million, which the analysts complained was high because the after-tax income was just $18 million. They were paying 19 times for the business. The first year that they owned it, they more than doubled. We estimate that they will make about $65 million after tax in 2024, and something around $150 million in 2033. If that business were to be sold by them today, which they would have no interest in doing, it would probably have a value north of $2 billion, and it could be worth close to twice that in about another eight or nine years. The Uzbek deal was a great deal for them, and it has given them a country that they are going to have for a long time.

Back to Bangladesh, you saw that the Bangladesh per capita units were around 10 cokes a year. Bangladesh, even though you think of it as a poor country, has made remarkable progress. It has become an export powerhouse. Shame on India. The per capita GDP of Bangladesh is higher currently than the per capita GDP of India by more than 50%. It is almost close to twice as high as Pakistan's GDP. Pakistan's units sold are four times what it is in Bangladesh. If you were to do a normalization just getting to Pakistan's numbers and then normalize for GDP, Bangladesh may be in a few years, five or six times the per capita coke product consumption. The per capita GDP is growing. It is going to go up to about $4,100 per capita by 2028, and the population is increasing as well. On top of that, we have Kareem, our rock star CEO, who is just getting ready to roll his sleeves up and do good. They bought Coca-Cola Bangladesh FOR $130 million. They were given this company by the Coca-Cola Company. They will have more than 6x the volume in a few years, maybe eight or 10x the earnings. The business could be worth one to one and a half billion. Bangladesh and Uzbekistan are examples of CCI's ability to create very significant value when they get new geographies.

I find it funny that the Coca-Cola Company, in its annual report and website, lists and shows its problem countries. Talk about washing your laundry in public, which I commend them for, but all these countries in red are countries where Coke is unhappy with their bottling relationships and bottling situation. You can see that Bangladesh is in red, but that has now been taken care of. This is kind of like a bullseye target on all these countries. In the next few years, Coke will change its bottling situation in most of these places. The big prize for CCI would be India, even if they got a portion of India because if you think about it, they have Pakistan on one side and they have got Bangladesh on the other side. They would be on the very short list of candidates to be considered for India because they are just on both sides of the border. The Coca-Cola Company has been very impressed with the way CCI has operated. They are very happy with them in Uzbekistan. Pakistan used to be a situation where the annual cases sold were 40 million cases in a year. It is now 400 million cases in the last 15 years. They have taken it from 40 million to 400 million while the country is a basket case, and they have foreign exchange problems and everything else.

On top of that, the business is super cheap. We have seen Efes and CCI do four transactions in the last four years. The Uzbekistan purchase, the 50% of Coke that they did not own in Pakistan purchase, the most recent Russia Efes purchase, and the two-thirds of Bangladesh purchase. Each of these is a major home run. Each of these is just a long-lived incredible asset.

Now, if you look at that Efes deal in Russia, just to show you how high quality a company and how trusted they are. AB InBev, which is their partner in Russia, owned 50% of the Russia business, which they needed to exit because Russia is not acceptable for American companies to have. They gave 50% to Efes with no money changing hands, and they did not disclose it by the exact term. But they said over the next few years, based on the cash flows, there will be payments going to InBev. If you think about it, a seller sells prime assets to a buyer with no money down. The only reason a seller would do that is because they have supreme confidence and supreme trust in the buyer. Anyway, Efes is a $2.9 billion market cap. 50% of CCI is about $5 billion or so. If you look at the implied value of the beer business, it is $361 million. The beer business did about $150 million in after-tax earnings in 2023. The beer business alone is probably worth the entire market cap with the bottler for free. This business is one that I would like to own forever and ever, just like the airports and Reysas.

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I want everyone to understand our extreme concentration. I also want you to understand that if you disagree with these concentrations, we have exit windows once a year on December 31st. If you do not agree with these concentrations, you should exit. There is no chance that we will trim undervalued positions just because they are a large portion of the pie; just kind of not interested in selling great companies at half off or 70% off and so on. If you look at PIF2, about 57% is in Turkey, but they are all incredible businesses; Reysas, Efes, Coke, and TAV. We have got coal bets that are about 30%, and India bets 14% that will go down. In PIF3, Turkey is three-quarters of the pie, and coal is almost the rest. The India bet is small. PIF4 is a little bit more balanced where Turkey is about 43%. Coal is 43%. India is about 11%, even that will go down.

Slides 28-30:

We recently fully exited Rain and we had this company for nine years. It is a company in India, and we invested about $40 million in 2015. We got about $81 million when we exited. It was not a great result, about 7% annualized.

Rain was bought at what I thought was a future P/E of 1. It was cheap. Most of its assets are not being valued for anything. In 2015 when we bought the business, the market cap was about $175 million. It is a very cyclical business, but I had a theory at that time that maybe in the next five years or something, they would have a single year where they would produce close to $175 million in cash flow. That happened less than three years after that, and in 2018, they produced about $168 million in a single year. That was because they were just so cheap, and a lot of their different businesses were cyclical. When they hit $168 million in cash flows, the market cap went to $2 billion. In hindsight, it would have been very wise for us to have exited that time. We owned 10% of the business; we would have had a $200 million value for our stake, about 5x in less than three years. But by then, I had fallen in love with the business. It had a good capital allocator, a great leader, and a low-cost operator, which was continuously driving its cost lower.

I decided to hold on because I had taken so many arrows in the back from selling too early. Then they encountered a Black Swan event when the Indian Supreme Court banned imports of their primary raw material, and therefore, their two big Indian plants could not produce much. Those regulations have been walked back recently, and so their business will do well in the future. But we had other fish to fry so we decided to exit in the end. Rain is a good business, but not a great business.

Slides 31-34:

We are going to switch gears to Dhandho Holdings, which is a mistake to start. I had raised $152 million in capital. We have returned about 80% of that to all of you. We are going to make another distribution in the next couple of months. Starting Dhandho was a mistake. I have been focused on putting the toothpaste back in the tube. The good news is that the probability is very high that everyone will get their money back. Of course, there is the time value of money, and they will be losers from that point of view, all of you, including me. We have a few stocks in Dhandho. We have a stake in a venture fund that has a couple of decent assets. The big one is Outdoorsy, which is the Airbnb of RVs. It is growing very rapidly - profitable and scaling. Something may happen there and that would probably give us more than our money back and then some from our investment in Tandem. About 8% of the book value of Dhandho funds is in other small things. We started a mutual fund recently. It has got about $19 million in assets and it is growing. We started with $1 million. The funds are six months old. We had a very strong headwind because the S&P was just pounding on fire. But we are now from inception ahead of the S&P. The S&P, in the last six or seven months, is up nearly 20%, and we are up a little over 21%, which we have done without owning the magnificent seven or the fab four in any meaningful numbers. We have a small position in Amazon and Microsoft in the fund. Year to date, we are trouncing the S&P solidly. Assuming we can stay above the S&P, the assets will come in. If we can scale the funds, at some point, it is a billion; that could be worth $50 or $70 million. But we have got a long way to go.

Slides 35:

We have a mechanism to allow people to exit Dhandho completely. We have got a few people who have done that in the last few years, but if I were you, I would not sell my Dhandho units. You already got 80% back. We are going to be sending you some more capital, and then you will have a stake in the management company that runs the mutual fund.

Slides 36:

We liquidated our India fund and Junoon funds, which were both mistakes to start. We returned the capital, and we tried to do it as tax-efficient as possible. We are moving on over here.

Slides 37:

All the people in the picture with me are from our Austin team. The three ladies, who appear below, are part of our India back office. This is the best team I have worked with pretty much ever. I am happy with everyone. Everyone works well together, so it is a joy to work with all of them.

Slides 38:

This is the cast of characters who help us do what we do. We have several custodian and broker relationships around the world. We have different legal advisors in different places. We have our auditors, PwC, and our administrators, Liccar. With that, I am going to move to Q&A.

Question: Hello. I am Ehud from Israel. You speak of finding good companies and sitting on our ass over the past couple of years, you seem to have been in and out of different companies and sectors. We were in and out of Chinese Big tech, US real estate, Rain industries, Micron, Anadolu Hayat, etc. What do you think about all these moves?

Mohnish: That is a very good question. My driver is always an opportunity cost. We, for example, have a very positive opinion of Brookfield. We took a position in Brookfield earlier last year in the first quarter. In the second quarter of last year, the coal bets showed up on the radar, and it would have been criminal of me if I had decided to keep Brookfield and not make the switch. It was a very no-brainer switch to make. If we look at all of these businesses that we have exited—we exited Alibaba and Tencent at a loss, Brookfield at a break-even maybe a little positive, Rain industries with little profit, Micron at a good return, and Anadolu Hayat at a loss—I do not have any regrets or perspective that selling any of them was a mistake. There is a mistake in the purchase, but there is no mistake in the selling. You are right that ideally we do not want to dance in and out of these positions. Rain, for example, we kept for nine years. When I look at our holdings today, we would do extremely well if I made no changes to the portfolio for several years. I hope we can hold these for a long time. My hand is sometimes forced like it was forced late last year, earlier this year because of redemption. We get a lot of redemptions; we have no choice. We have to sell things we do not want to sell, and we are cutting muscle instead of just fat. But assuming everyone stays in their seat, we are very happy with what we own, and we hope we own it for a long time.

Question: I am Louis from Dallas, Texas. You said that you were floored by the Coca-Cola Icecek's new CEO, as well as Tom Gayner. Could you expand on what was so impressive about him?

Mohnish: Just to give context to everyone, Coca-Cola Icecek has a new CEO; he has been around for around 15 months or so. He relocated from Chicago, and he has been in the Coke system for around 30 years, and in a lot of different capacities. He is half-Turkish. When I met him last year in Istanbul, he was very new at that time. He had just been in that role for about six weeks. He did not even have his business cards yet at that point, but he was already having difficulties with the Icecek deck. The IR department at Icecek had its standard deck. As that deck was going by, he was saying, "I do not agree with this." Then there would be another few slides, and again he would say, "I do not agree with this either." While we were in the meeting, he was talking to his management team about the things that he was disagreeing about. For example, Coca-Cola Icecek always presented Turkey as a single monolith. They talked about their Turkey business in a certain way. He said it was the wrong way to speak about it. He said that Istanbul is like London or New York, and the consumers of Coke in Istanbul would be like the consumers in London or New York. But he said that when he goes to Eastern Turkey and looks at the Coke situation in Eastern Turkey or in other geographies in Turkey, it has nothing to do with Istanbul. His view was that the approach the company needed to take in those other parts of Turkey had to be extremely different; very different from the approach that was going on currently.

Let us take a step back. Coke is a very powerful brand. It is one of the most dominant brands that we have. We have no Coke that sold in Cuba and North Korea, but if they opened up Coke in those two countries, sales would take off instantly. Even though Coke has never advertised there and has never had a presence there, it would just take off. It is one of these global brands that has a lot of power in places that they have never been before. The other thing about Coke is the per capita consumption of Coke. Coke appears to be a very mature, simple business. It is the furthest thing from that. It is an extremely complicated business, especially if you want to optimize it. In a place like Eastern Turkey, the per capita GDP is much lower than in Istanbul. Is it available when and where people want it? Ease of access to the product has a huge impact on whether or not it gets consumed because people will go to a supermarket and buy it, or they will go to a McDonald's and buy it, or they are just on the street and they will buy it. It just depends on the weather patterns, the per capita GDP, and the ease of access. You have to be careful if you are the bottler. For example, if I say, "Oh, this part of Turkey has no sales of Coke. Let me put a refrigerator with Coke in every outlet," you may end up in the red because the GDP and all of that cannot support it. You may have a lot of marketing expenses upfront, and the sales may or may not materialize. There are so many different ways in which you can build sales, and there are so many different ways in which you can build the brand. Some of this is done by the Coca-Cola Company themselves, and some of it is done by the bottler. It is a combination of what happens with both of them.

If I go to a place like Pakistan, something that has worked well for Pepsi is cricket. Pepsi owns cricket in Pakistan. That is like owning the Super Bowl or owning the Olympics. It is huge. Coke was one-fifth of the volumes of Pepsi. In the US, Europe, and other places, it has got majority market share. But in Pakistan, it used to be one-fifth of Pepsi and Coke had a problem because they were not going to get cricket, that is locked up, so they went all in on music, and they set up Coke studio. I played some ads or some videos for you last time. The music resonated with people, and they brought in very talented artists and created great music. It was associated with happiness. That whole initiative in Pakistan with Coke Studio was paid for by the Coca-Cola Company. It was not paid by the bottler. The Coca-Cola Company supported that entire initiative, but the bottlers benefited, and Coca-Cola themselves benefited. There is above the line, below the line spending, creating awareness, creating distribution, and painting your trucks red. Many variables come in, in terms of what happens with Coke. Kareem, who is the new CEO, knows the per capita numbers in all these places, and he has gotten now the per capita numbers in different parts of

Turkey. He is fine-tuning how he goes into each of those areas. He is very driven. He understands that he has been handed the keys to the kingdom. It is not a mature geography. It has got long runways. He also understands their current volumes are 1.6 billion cases a year, and they are the third largest bottler in the world. He understands that if he grows those volumes significantly, he might get India or a portion of India. The Coca-Cola Company is watching him, and so far they like what they see, so they keep giving him these territories. All of these things like Bangladesh coming to them, that type of a transfer happens once in a hundred years or once in 500 years. It just does not happen. These assets do not change hands. Once they get these assets and they nurture them, they become wonderful businesses. I do not want us to ever sell this business. We want to own it for decades because it is just so embryonic and it has got such a great runway and such a great brand.

Question: Hello. I will preface this question by saying that I am the world's worst equity analyst on CCI. CCI seems to have had a triple-digit jump in everything, even in dollar terms in 2022. That kind of made their decade record. Their revenue earnings went up. I was wondering if you remembered what happened and how that plays into the larger thesis.

Mohnish: Well that is Turkish lira

Question: I thought it was a dollar term.

Mohnish: They did not do it in 2022, but I did it in 2023 where they had a new accounting standard that took into account inflation. It was a dumb thing for the accountants to do because I wanted to see the financials in real lira and I know what the inflation rate is and I can adjust that. The accounting standard was adjusted and they made it in a very unusual way. I could not understand how they were making that adjustment. If I were you, I would focus on the unaged numbers without that standard. What you would need to do is to move it to dollars. They have seasonality to their business; some months do more volumes than others. You would need to kind of move it to dollars in sync with what was happening every quarter approximately the lira rate that quarter. Whenever I am looking at any of these Turkish businesses, I look at them in US dollars because otherwise, I cannot make any sense of what is going on. With CCI, it became even more challenging. Even with Reysas, it became more challenging. The standard was imposed on all the companies, and it made all of their financials more difficult to understand. The good news was in 2023 they reported it both ways. We could look at the unvarnished in 2024 onward. They may not report both ways, which will make it more challenging. We will have to see if the company either reports or gives us numbers in dollars. We can make some intelligent perspectives on that.

Question: One more quick one on both Efes and CCI. Do you think management is open to buybacks at all, especially with Efes?

Mohnish: It seems in both cases there is no possibility of buybacks. We are at the other end of the spectrum. The reason there is no possibility of buybacks is that both companies have international partners as shareholders. In the case of Efes, AB InBev owns 20% of Efes and in the case of Icecek, Coca Cola owns 20%. If they were going to do any kind of buyback, they would need to talk to these partners. For most companies, buybacks do not make sense. It takes a long time to get people to understand buybacks and in the case of Efes and CCI, the family that owns it is used to getting dividends and they live off those dividends. I do not know how receptive they would be. They own more than 50% of Efes, which gives them control of both businesses. They have two partners and they would not want to do anything to them. If you go back in history and look at this thing, there have never been buybacks because they would need to get a buy-in. CCI going to the Coca-Cola Company would have to go up the food chain into a bureaucracy. They say, “Okay, just forget about that whole thing. We are getting dividends and we just leave it to that.” My assumption is they will never be buybacks.

Question: Wouldn't it be wonderful to own stock in companies that benefit the well-being of human beings and not be buying things like Coke bottlers and coal companies?

Mohnish: Well, that is a valid question. Charlie and Warren used to get, and probably still get a lot of questions about their Coke investment and their Coke habits, especially Warren's Coke habits. Charlie answered that people who focus on the negatives of sugar without thinking about the positives of sugar or the positives of flavored water do not have a balanced view. We must also remember that a lot of Coke products have nothing to do with sugar. They are big in the water business and they are big in Coke Zero and other brands. The other interesting thing that I learned was that when Coke sells Coke Zero versus regular Coke, both are priced the same. However, due to the lack of sugar, the margins are higher on Coke Zero. Regarding coal, yes, I agree that coal has serious negatives with carbon, but we also have to recognize that metallurgical coal is required by society to have a civilization. These are very responsible companies trying to do their business in the best possible way. They are very focused on safety, and they are very focused on trying to, as much as possible, minimize their negative carbon footprint. But society as a whole can vote and decide that we do not want any more iron and steel and we will live with just recycled steel. Society is not making that choice, so these companies exist. They are being punished unfairly. We get kind of bundled in with thermal coal companies. We just do not have a steel industry without these companies. I am very happy to own them because we are an essential part of civilization.

Question: What do you see as the key risks and downsides with investments such as Reysas, Efes, and TAV? And given the case study with Rain, is there a risk here of also falling in love with the name?

Mohnish: Well, I would say that all these three companies are in Turkey, and that causes some issues. I would also like to state that when we look at a company like TAV, they do not do any of their business in Turkish Lira. Also with a business like TAV, most of their assets are outside Turkey. They have significant assets in Turkey, but quite a bit is outside Turkey. I would say that the biggest risk I see with a business like TAV has nothing to do with being in Turkey. The biggest risk I see is we get outliers like COVID, for example. If I had bought these businesses in 2018 or 2019, I would have never imagined that air travel would go to zero.

But that is what we saw. The second big risk, which is more likely, is that they do a dumb deal. Doing a dumb deal is a very high risk in that business. These airports come up for bid very rarely, and when they come up for bid, animal spirits get unleashed because these companies are so afraid to lose the deal. It is kind of a one-and-done. You have got these iconic assets coming up once in 50 or 100 years, and you want them. The risk of overbidding is very high. Anything can look great in Excel. You are bidding on an asset, which is a 30 or 50-year deal. Small errors in annual passenger growth, for example, would make you pay a lot more than you should have paid. TAV has had those errors in the past. To me, that is the weak point of TAV. It is not that it is in Turkey. With Anadolu, Efes, and CCI, I do not see much risk there because again, a lot of their volume is outside Turkey. Even within Turkey, people want Coke and the price adjusts to inflation. Reysas also is a very solid business. I am comfortable with these. I have thought repeatedly, a zillion times, about the situation. What is happening in Turkey? Turkey is getting its financial house in order. They have a very good central bank governor and an extremely good head of the treasury. They are making all the right moves and they have raised interest rates. I would expect in the next year or two, it will be a very different country.

Question: Hello. My name is Simon Lester. Is the market less efficient at valuing businesses in places like Turkey and does that prevent ultimately realizing fair value getting recognized? Is there a danger of applying American valuation metrics to business quotes in Turkey?

Mohnish: That is a great question. It may very well be that businesses in Turkey always trade at a discount to the US, though I am not sure that will be the case. If you look at a place like India, which also has plenty of challenges versus the US, the valuations are ahead of the US in many cases. They are much richer than the US valuations are. Markets go in cycles, things get undervalued, and things get overvalued. As Turkey gets its house in order, it will become a more attractive destination for institutional capital, and it may get rerated, at that point. We have seen significant additions to the valuation of the businesses we owned in Turkey till now, even though the serious headwinds, the macro headwinds have not dissipated. If you look at, for example, a business like Reysas, which in 2019 had a $16 million market cap and an $800 million liquidation value, that business today has a market cap north of $500 million US, and a liquidation value that is above $1.4 billion. The market has not moved all the way. It has moved quite a way toward recognizing the real value of that business. Reysas as a company had several approaches over the years from international buyers wanting to buy the entire business. The offers they have gotten have been significantly above the market valuations. Of course, they have not had an interest in any of that, so they have declined all of that at some point. The way we finally get our value realization in Reysas may be a sale, and I would view that as a sad event if it happens in the next few years. This team can compound at a very high rate for a very long time. I would like that party to continue for as long as possible, but it may get truncated, who knows? These businesses will all be valued appropriately. They may not get to euphoric valuations or even full valuations, but because they are themselves increasing the value of the businesses over time, we will end up with a decent result. That should be pretty good.

Question: Assuming the Almaty Airport deal is such an incredible deal, how concerned are you with the government changing the terms, taxing the excess profits, or canceling or making significant changes to the deal?

Mohnish: That is a very good question and I will try to give you the best answer I can. Almaty is a very different deal than typical airport deals. One of the differences in the Almaty deal versus many other airports is there is no direct regulator of that business. One of the main areas by which TAV and other airport operators make money is the passenger fees that they charge the airlines. If you buy an air ticket, that passenger fee is embedded within the ticket that you buy. You do not pay attention to that because there are a bunch of different fees we are tagged on, and it is just part of that bundle thing. Now, internationally, in Turkey, and other places, typically TAV and other operators do not get paid much for domestic passengers; in the range of about 1.5-2 euros per domestic passenger. They only get paid for departing passengers. They do not get paid for arriving passengers; they just get paid for one side. For international passengers, the fee is usually 6-8 euros per passenger. In Almaty, the international passenger fees are extremely low. They are in the range of 3 euros per passenger. Even the domestic fees are low, maybe around 1 euro per passenger. The way the Almaty airport deals get done is a negotiation between the airport operator and the airlines. TAV understands that if they are heavy-handed in all of this, the airlines will go and complain to the antitrust or, anti-monopoly agency in Kazakhstan. They do not want that. They want to have good relationships with the airlines. One of the things that is happening at Almaty is TAV is building a brand new international terminal. Currently, there is a terminal which is used for domestic and international. There is not enough capacity there. That airport is pretty squished, and there is a very desperate need to have this international terminal, which will be up and running in two months. The construction is almost over. So on June 24, that construction is over, and that new terminal gets operating. Almaty also has another weird situation where historically, the previous owner of the airport, which was one of the oligarchs in the country, had sold real estate inside the terminal to, for example, the duty-free operator, the coffee shop, the food-and-beverage and so on. When I went through the Almaty existing terminal, the airport general manager said, “This coffee shop is owned by us, and that other one is not owned by us.” When they bought the airport, they went and talked to the shop owners. This situation does not exist to the best of my knowledge at any other airport on the whole planet. I have never heard of this, neither had TAV. They went and talked to the owners of these individual shops about selling their shops to TAV. As you might imagine, an extremely high price was quoted. TAV decided to leave them alone and not do anything. What is going to happen is that when the new terminal is ready and international moves to the new terminal, duty-free will a hundred percent be in the new terminal. The existing duty-free shop in the old terminal will see its revenue go to zero. That person still owns that real estate inside that airport. They could make it a coffee shop, they could make it something else, but they would not have any duty-free sales anymore. Just to give you a little sense of the way airports operate around the world, in a normal situation with most airports, there is a regulated portion of the deal, which is the passenger fees are normally set by a regulatory authority. There is a non-regulated portion of the airport, which is set by the airport operator based on market forces. For example, duty-free prices inside, almost any airport I am aware of, are just set by the operator of that duty-free shop. They can charge any price they want for Johnny Walker because individual consumers will react to that price. There are market forces that will keep them honest. They have to keep that within reason because that is why we see relatively high prices for food and beverage, even in US airports. After all, they can get away with some of it because it is a pseudo-monopoly or oligopoly. Now to just drive a little bit deeper into the duty-free business, the typical airplane coming in or out let us say is about 150 passengers or something, and they will end up spending on average $10 per passenger on duty-free. On a single airplane, about $1,500 would be spent duty-free. Now that $1,500 is not being spent by everybody. There are probably six people who end up spending the entire $1,500, but it does not matter where the money comes from. It is an average of about $10 a person. The $1,500 that gets spent on duty-free, the operator of the airport charges rent to the duty-free operator, which is 40% of the top line. Out of that $1,500, $600 would go to an operator like TAV at Almaty airport.

Currently, TAV gets zero because that shop is not owned by them. Their duty-free revenues currently are zero. When they move to the new terminal 40% of the top line will come to TAV, which is going to be approximately $4 per international arrival or departure which is very significant. That is not subject to any government or anything; it is the way it is. I asked TAV how and when they would increase the international passenger fee to be in line with international norms, and what they told me is that they do not want animosity and do not want shock treatment. What they said is that they are engaged in a conversation with the different airlines, and of course, the airlines are excited about the new terminal because they will improve dramatically the quality of experience that their passengers have on the ground. TAV said, “There is no doubt that we will get an increase. Maybe it will go from $3 to $4 or $5 per passenger when that international terminal gets up and running.” The airlines will not have much of an issue paying that. Again, you have to understand the price of an international ticket versus this piece. It is not the tail that wags the dog. But they also said that what they will probably do is every other year, they will keep bumping that up well ahead of inflation till it eventually gets to international alarm. They said, “Okay, it might be 2028 or 2029 by the time we are fully capturing what should be the appropriate fee,” and that will happen. They have an extremely good relationship with the government of Kazakhstan. There is a second airport in Kazakhstan, the Asthana Airport, which is also very large. There has been some talk and chatter about the possibility of giving that airport to TAV. I do not know if those talks ever happened or not. But what has happened already at the Almaty airport is since TAV took over, the quality of the passenger experience has gone up exponentially. The airlines are a lot happier. Everyone is happier with this arrangement. The government sees TAV coming in as being a total win-win because nothing changed in terms of cost to passengers so far. The service quality became a lot better. TAV owns a lot of buildings outside of that terminal. They have a hotel there, and they have a few office buildings. What they say they have done, for example, is that they have gone to one of the large airlines and said, "Look would you like some office space for some of your back office or your staff outside the terminal?" The airlines agreed. They said, "Okay, we will give that to you at a cut-rate or no rent, but we would like you to cooperate with us on these fee increases." There are 3,000 employees at the Almaty airport. All but eight of them are Kazakh citizens.

When TAV took over the airport, they moved eight expats from Turkey to Kazakhstan. These eight guys are senior guys running the airport. The general manager of the airport could run the entire company. He could run TAV. I felt the same way about the general manager of the Antalya airport. When I visited TAV, I found that there are at least three or four people within TAV who could run this entire company. The bench strength of this company is very impressive. Sani, the founding CEO, did an incredible job building an incredible team. CEO of Almaty airport has an extremely good persona and gets along really well with the cast of characters. He runs that place so smoothly. I would be very surprised if there were any weird actions by the government or even the airlines with anything going on at the airport. When we look at it from an owner's point of view, we see this amazing asset, but if you look at it from an airline's point of view, the passenger fee is around 3% or something of the cost of the ticket. Fuel prices have a lot more impact. Everything else has a lot more impact than the passenger fee. Those airlines know what they pay at other airports, and so they know that there is nothing untoward going on. That is the long answer and long discourse on airports, more than you ever want to know. But just before I finish in airports, I want to tell you one more thing because you guys are all duty-free buyers. I want to let you know what is going on with duty-free with you as a buyer. When you buy that hundred-dollar bottle of Johnny Walker or Chiva's Regal, which you think is a great deal because it is duty-free, $40 of that has gone to the airport operator. Now we are left with $60. The factory gate price of that Johnny Walker bottle is about 30 or $35. There are another 10 or $15 of expenses to run the duty-free, so it is about $50 of the cost. Then that airport operator of the duty-free may make $5 or $10. TAV has two ways it gets paid on that duty-free. The first way it gets paid is that it is the airport operator in Almaty, so at least it will take 40% starting in June.

The other thing is that they have a 50-50 joint venture company called ATU that is their duty-free operator. ATU is likely to be the duty-free operator in the Almaty airport. Of all the revenues coming in from duty-free, there may be another 5 or 7% of that top line which is the profit of ATU, and half of that also belongs to TAV. TAV will end up with somewhere between 42.5 to maybe 43 or 44% off the top line. Something to keep in mind is your hundred-dollar bottle of Johnny Walker has a factory gate price of $35. Of course, you can never get $35 because you can never buy it at the factory gate. After all, instantly all kinds of tariffs and duties get put on it as soon as it leaves the factory gate. That is why duty-free continues to be a decent business. Now you can become a little bit more educated on duty-free when you go wild and crazy shopping there.

Question: I have another question on TAV. What portion of TAV's total net income comes from Almaty?

Mohnish: Almaty is a very small portion of the pie. Even after the new terminal is up and running, it will be 15, 20%, or less. It is not a big portion and it will not get up to about 15, or 20% until they have gotten to the full fee paying everything going on. It is not a big portion because TAV is truly a crown jewel. They have another business, which is called Havas. Havas is a ground operator in almost every airport in Istanbul. When a plane comes in, baggage is loaded and unloaded, the plane is cleaned, the ramps and all that, the get paid $1,500, $2,000 per aircraft for doing all that by the airline. Havas is a really good business because it is an oligopoly at all these airports. They have more than 50% market share. That is another great business. I visited Havas operations last year. Again, a great management team.

Question: Have Reysas or TAV considered repurchasing their stock?

Mohnish: That is a great question. Turkey has some restrictions on companies buying back shares. I do not think they can buy back more than 10%. Even when they buy back 10%, they may have to return that to the market at some point. TAV is not in a position to do buybacks until they take their leverage down. TAV is 45% owned by Aéroports de Paris, (ADP) which runs the Charles de Gaulle airport. It is a listed company in Paris, France, and it is mainly owned by the French government. One of the things I like about TAV is that we have ADP as a large shareholder. The French are not interested in buybacks or anything. They just want dividends. They want a lot of dividends. They know that TAV is currently not paying a dividend. TAV is going to become a dividend player and they will push out probably 50 to 80% of cash flows to investors. In Turkey, we are not going to have buybacks as the driver. We have heavy-duty buybacks taking place in our coal companies. We have heavy-duty buybacks taking place in the auto dealers if we go down that path. Fund-wise, buybacks play a decent role, but not in Turkey.

Question: Hi Mohnish, Matt Bolton from Kansas City. I have a few questions regarding our Reysas position. You mentioned that in your estimation, the liquidation value is somewhere around $1.4 billion. Would that be just for Reysas itself, or is that Reysas and the REIT combined?

Mohnish: Reysas Logistics owns 60% of Reysas and REIT. If you look at REIT, the liquidation value is around $2 billion. If you would transfer that to the logistics company, that would work out to about $1.2 billion. The rest of their businesses are worth over $200 million. The $1.4 billion is a decent number.

Question: I was reading this past week. I believe they had their general assembly meeting on Wednesday and that they had filed to raise the share count up to 2 billion shares. I think currently their max is around 600 million shares. How do you feel about that as far as raising the share count? It seems like it would be better to go the other way to have them start doing a lot of buybacks if it is undervalued than if you spoke to the management about that topic.

Mohnish: I have not discussed it with them. A lot of companies increase shares authorized by itself - do not mean anything. We would have to see and I do not know what they have in mind when they are doing that. I know in the past they had difficulties with even doing rights issues and so on because they were hitting the limits. Maybe this might be something pre-emptive just to take it off the table as something that is approved and ready. But I do not know what their plans are in terms of why they would need that. I have not heard anything so far.

Question: Regarding the coals, I understand in the Wagons Fund that you may need a certain number of different stocks to invest in companies. I mean are there maybe four or five coal bets? Do I have that right, or is it just maybe one in the funds or two? If there is more than one, can you give us a rundown of the reasoning behind that? Is it just to spread the risk out over multiple companies, or what is the reason for that in the funds?

Mohnish: That is a great question. First of all, in all the Pabrai funds, every year we have an annual audit report that goes out to the investors. In the audit report, there is a schedule of the large holdings. Once a year, you can get a pretty good snapshot of what the funds hold. PIF2 has a year-end on June 30, so usually in August or something, that report goes out. You can see how the allocations are. Our coal bets went through an evolution in the sense that I started without much knowledge of the industry. I had made a lot of bets in the coal industry during the financial crisis, of 2008-2009. A huge winner at that time had 8X in one year. In 2009, there was an extreme dislocation in the price of commodities. They were very distressed at that time. It was a great time. We made a lot of basket bets and every single thing worked. Nothing did not work. I had some knowledge and understanding of coal from then, but it was not as rich or deep as I wanted.

The first one that we understood was Consol Energy, which is a thermal coal bet. Then as I moved on the metallurgical side, it took a few months to get on top of each company. As we were understanding these businesses, we were allocating accordingly. It took a while to get a full picture of all the coal businesses and how they stacked up and all that. That is still very much a work in progress. I still feel that probably the best approach may be a basket because each of the companies has some good points and others have other good points. That is why we end up where we end up. Also, the other issue is that we cannot just sell A to buy B if B is better, because A may have gone up in price and then we would encounter short-term gains or even long-term gains. We may not want to pay the tax and all of that. Once we have a position and that position has a gain and we have a better play, we may or may not make that change.

Question: Dale, from Tennessee. Has the Baltimore Bridge collapse been a problem for the coal?

Mohnish: I would think the Baltimore Bridge collapse is a major issue. Two coal terminals have a dependency on that waterway being fully functional. One is the CSX terminal, which is owned by the railroad, and that terminal is heavily used by Arch resources. It is one of the companies we have an investment in. Just to cover that first, Arch also owns one-third of a terminal in Newport which has a large capacity. They were using the CSX terminal for most of their shipments and they were selling the capacity in their second terminal to other companies just to get cash flow because they had the capacity available. I do not know this because we have not talked to the company and maybe it will come out in the next quarter when they release the number. I would guess that they have moved their coal to go to their Newport terminal and shipped it from there. The negative of doing that would be that it is a longer train run and it probably would add maybe something like 5 to $15 a ton in cost to do that. But I am pretty sure they would have made a change in their case because they have a plan B, which is a pretty obvious plan B. They would have made that shift.

The other one, that is very significantly affected, is Consol Energy. Consol has a very large terminal in Baltimore. It has a capacity of about 20 million tons and pretty much a hundred percent of Consol's exports were going out of that terminal. Exports are something like 70 or 75% of the total production that Consol has. It is not clear to me what Consol has done to mitigate this issue. The problem is that coal is very bulky. The transport is a monopoly. The railroads have a lot of power and terminal capacity is very limited. If Consol were to try to shift that coal to go out of another port, another terminal, there are very few locations on the eastern seaboard where it can go out. They also have the possibility of selling it domestically, which I am sure they are also exploring and doing.

But if you take a step back and take a longer-term view, Consol's reserves are going to last for four or five decades. If you take a worst-case scenario, they are shut down at 60% or 70% of capacity for two months. If you look at it from a broader perspective; they just could not send it anywhere and you would have a bad quarter and then you would come back to normal. I was a little surprised that the stock did not go down. I would have expected for Consol especially since the stock should have gone down. What also happened at the same time when their business was affected was that the thermal coal index prices went up. Consol sell all their coal one year in advance. They would have had deliveries promised in April and May, which they are not able to deliver. They would have declared force majeure, which is very valid. You have got a bridge down. They will be off the hook from having to supply those tons at the agreed price. Those tons could now be sold at a higher price because the index is higher now than what they sold it at; if they can get it to a port. I also know that Consol management is the best in the business. They are exceptional at logistics and all of that. They are great at pulling rabbits out of hats. I am curious when the quarter ends in June and when they have their call in July or August. They would have had some increase in domestic shipments. They would have found some other places in other ports and other places to get their coal out, but I also know that they probably could not do that for everything. At the end of the day, that coal is very valuable. They may or may not be mining all of it. They may have shut down one long wall, but long term, it makes no difference to the company.

Question: Hi. My name is Suraj in Ottawa, Canada. Out of the three Met coal bets, you mentioned that AMR, and ARCH are using most if not all, free cash flow to buy stock. I agree, this seems like a no-brainer at current prices. Could you please talk about the quality of management and capital allocation at Warrior Met Coal?

Mohnish: There are three large metallurgical coal producers in the United States. There is AMR whose video you saw earlier, Arch Resources. The third is Warrior. Warrior is based in Alabama. They have Southern Appalachian Met Coal. Out of the three players, they have the highest quality met coal, the lowest cost, and the closest proximity to the port. One of the things I should just explain a little bit about met coal is that the railroads in the United States are either in a monopoly or oligopoly situation with the transport of coal, met or thermal, and the coal transport makes up a significant portion of the railroad's overall revenue. Some of the coal company CEOs, when I bring up the rails, they use terms like extortion and they do not have too many pleasant things to say about the rail operators. On the East Coast, AMR and Arch, have a monopoly situation with the railroad that transports the coal to the coal terminal. The deal that they have with the railroads prohibits them from even disclosing publicly. I am going to tell you what that deal is. Until the index coal price goes over $250 or $240 a ton, the rails take 25% of the selling price of the coal as their rate charge. It is kind of like TAV with the rent for the duty-free. If the index is at $150, they will collect around $37-$40. The index is at $240 or $230, they will collect close to $60 per ton. Now when the index goes to $300 or $350, they are mostly capped at $60. That may have something to do with the rail regulators. The rail operators are not exactly very benevolent. Warrior is building and in the process of bringing on stream a new mine, Blue Creek. What they have done in their design of Blue Creek is they have contracted with two railroads to be able to carry their coal to the port. They have spent extra money so that they could make those two railroads compete and hopefully get better prices. The second is that they have the option of shipping via barge because there is a river not too far from their mine, which goes to that port. That river is not very deep. One of the risks they run is that things can bottom out and stuff. Barge shipping is not very attractive, but it is an option. What Warrior does is they use the barge as leverage against the two railroads saying, "I can always ship by barge." The other thing is that the East Coast rail situation is very congested with Amtrak running up and down and all of that. The East Coast network is extremely congested, so it takes the railroads a lot more time to move coal from the Alpha or Arch mines to the East Coast terminals than it does for them to take the coal from near Birmingham to Mobile Alabama. The distance the rails have to go is much lower and their leverage on Warrior is a lot less. If the index were at $240, the other two coal mines are paying about $60 (none of them will give me exact numbers). My guess with Warrior is that that number is less than $40, maybe even $35. Warrior has two or three advantages. They have an advantage in the production cost of coal. They are the lowest cost out of the three. They have an advantage because their coal is the highest quality and they have an advantage because their shipping costs are lower than the other two. The disadvantage Warrior has is they do not own their coal terminal. The Mobile coal terminal, which you saw some pictures earlier, is owned by the state of Alabama. The state of Alabama and Warrior have a very good relationship, but there are in effect government employees running that port, which leads to its issues. The two terminals on the East Coast, which were both impacted by the Baltimore Bridge collapse, are privately owned. Hopefully, by the end of May, we will get back on track. One is owned by Consol and the other is owned by the railroad CSX. They are run much more like businesses than mobile facilities. HCC or

Warrior is not doing buybacks currently, rightfully so because they are in the middle of a big CapEx cycle with that new mine that is coming on stream. They also have NOLs from their time in bankruptcy. Those will get negatively affected if they start doing buybacks. I would expect that Warrior may become somewhat of a buyback engine maybe in 2026 and beyond. They have expressed they have shareholders who prefer getting dividends. I do not know who these shareholders are, but that is what they have told us. We will have to see. Alpha is all in, Arch is mostly in, and Warrior may get there in two or three years.

Question: My name is Adrian Peterson. I am a new investor with Pabrai Funds, and I am interested in understanding the composition of each fund, specifically the percentage allocated to different companies within the fund. Is this information available to investors or is it typically not disclosed? Also, if new capital comes into the fund in the short term, do you have new ideas you are excited about pursuing, or would you allocate it to existing holdings?

Mohnish: Regarding the disclosures, I gave you some disclosures right now, which give you in a pretty simple-to-digest format, how our bets are allocated. But you can get more granularity than that by looking at our annual reports and our audit reports, which are published and available on our website. GAAP rules require that any business that makes up more than 5% of the pie of the funds has to be disclosed in the annual audit. Because almost everything is more than 5% for us, if you were to look at our audit reports for the different funds on the website, you would see the individual names and the allocations. There is very recent data available for PIF3 and PIF4 because those audits were completed on 12/31 and PIF2, has a June 30th year-end. In that case, the data is about 10 months old or so, but again, it will get refreshed in about another three, or four months. Then we have quarterly 13F filings, which can also at least from a combined perspective, tell you what the US holdings are. If you look at our presentation that I made today, and you look at the audit reports, they give you a good idea of what each of the funds owns. When new capital comes in, we are an opportunistic operation. We look at the best place for that money to go in. We do not invest more than 10% at cost in any single business. Even if you like a business a lot, once we are at 10%, we do not add to it. We just look at what is the best possibilities there and we go with that.

Question: Hello. I am Jeff Ricco from Seattle. What fund AUM do you feel that our expected returns will be negatively impacted?

Mohnish: That is a great question. We had significant redemptions on December 31st. We had a pretty decent number of additions come in on April 1, but still not enough versus the redemptions. I can see us being able to use maybe at the most, about a $100 million more across the funds, and I am watching it carefully, we will start shutting these funds off. We always need to be a little cognizant of redemption requests. Ideally, subscriptions match redemptions, but we do not know about redemptions till sometime in September or October. We need to plan for that so that we are not cutting too much muscle. But I would say we are not too far from the point where I would just want to seal off all inflows.

Question: Hello. I am Jagdish Mehta. Are you sad you have to leave India?

Mohnish: Well, yes. I did not want to have my hand forced in this way. At the same time, what happened when COVID hit was that I could not travel to India, and in places like India and Turkey, we are not willing to make bets till we have met the management teams and all of that. Our new idea generation in India came to a screeching halt. Post-COVID, we have had difficulty finding things that made sense in India. I would have liked it if we could have continued without the frictional cost. We are now going to pay some investment bank for the one bet we are going to keep. But at the same time, we are very excited about our Turkey positions and the coal positions. We might take a position in one of the listed car dealerships. That is another great business to be in.

Question: Is PIF3 out of Edelweiss, Nuvama, and Rain?

Mohnish: PIF3 has a small position in Edelweiss. It has no position in Nuvama or Rain. I wanted it to continue having its Nuvama position, but it had very significant redemptions, so my hand was forced and such is life.

Question: Hi Mohnish. My name is Craig Lawson from Chicago. You say that the way you allocate funds, my understanding is it is capital available in each fund and you kind of just take turns. How does the Wagons Fund impact your allocation going forward? Will the funds go first?

Mohnish: That is a great question. We recently made some changes in how the different funds are allocated so that they were fair across the board. The simplistic answer to that is that five days a week one particular fund is in the number one position. We have three Pabrai funds. They have priority over three days. Each one has a priority on a different date. The Wagons Fund has priority on one day, and then there is Dhandho Holdings, which has priority on one day. It is not that only one fund buys on one day; it is that they would be the first if there was a conflict. If two or three funds were trying to buy a position, then the fund that is on that day would go ahead. There is a hierarchy of which one goes second, third, fourth, and fifth, based on the rest of the week, so that each fund is getting an equal shot at number one, number two, number three, and so on. What happens is that it gets pretty evenly spread out both in terms of the buys and the sales. That is how we have it happening now, and it works pretty well.

Question: Hello. I am from Houston, Texas. I wanted to thank you all for the great management you did on getting Zero Fund back up for us. That was a great job. I have two questions about that. One, how was PIF4 chosen for our investments to go to if we chose to do that as opposed to the others?

Mohnish: Well, the US investors can only go into two of the funds. They can either go to PIF4 or PIF2. PIF2 reached its maximum number of investors a long time ago. It has got a hundred-person limit and we have four or five slots open in PIF2. We really could not offer it because it just did not have the capacity. PIF4 has a limit of up to 500 investors, so it did have the slot. That is why there was only one place we could offer.

Question: Good. Secondly, how often can you invest again in the fund every year? Is it once a year?

Mohnish: Once a quarter. Once you are an investor in the funds, you can add as little as $25,000 every quarter.

Question: Hello, my name is Benji Richards. Is that a blue Ferrari between Warren and Charlie, or another car? My next question is, if you are starting your investment career over again, would you focus on working out special situations or go straight to finding great businesses that are cheap to good prices to hold forever?

Mohnish: Benji has amazing eyesight, and yes, Benji, it is a blue Ferrari. That was sent to me by Ferrari. It is a replica of the blue Ferrari that I used to own, so they made one for me and sent it to me. I do not have the Ferrari anymore, but I have that keepsake. Of course, selling the Ferrari stock was one of the biggest mistakes I made. Regarding your second question, it is always better to go after the great businesses, but it is best to have a Swiss Army knife approach. One needs to have an open mind and look at the opportunities that are being presented. Look at what works well, and just keep going.

Question: Hello. Milan from Dallas, Texas. What is your current view on technology businesses? You have not been a big fan in the past, but we did have Micron, which we divested out of. Then I saw Microsoft somewhere in the list now and AI leading the sector now. What should we expect going forward? Should we see more of technology in the portfolio?

Mohnish: It is a great question. There is so much investment and change coming into our lives from AI. It is changing every week. The development is taking place at a very fast pace. It is going to change our lives. We are going to create a lot of wealth. From where I sit, it is very difficult to figure out who the winners are and what those winners look like. We are always interested in making bets, which are obvious but we do not want to be speculating. It would be very difficult for me. The valuations are nowhere near anything that makes things obvious and makes things a no-brainer. If I bought a stake in TSMC, NVIDIA, in Microsoft, we would have amazing results in the future. Those are incredible businesses, but they are also richly valued. At the end of the day, we have to play in arenas and businesses so that we have some sort of understanding of what the long-term prospects are. When I look at what we own, we are happy with what we own. If something in technology shows up that looks exciting and that I can understand and that the valuations make sense, we will consider. But nothing on the radar gets close to that currently. That is just the way it is for us right now.

Question: I like the PE and cash flow multiples of some companies that trade on the Australian Stock Exchange. They trade on the OTC Pink Sheets. What are your thoughts on trading in this sort of OTC environment?

Mohnish: Well, Berkshire used to be an OTC Pink Sheet company at one point, so I am not as concerned about where a stock is trading. I am a lot more concerned about the underlying fundamentals of the business and the quality of management. I have no opinion on businesses in Australia on the OTC, but if you understand the business as well and you trust management, then the place that is being traded should not heavily weigh on your decision.

Question: With mortgage rates around 7 to 8%, if you thought your investment performance would be higher than that, would you own your house without financing? If you could keep financing a portion, how do you look at financing versus paying cash for a residential real estate portfolio?

Mohnish: I will answer the question in two ways. When our net worth crossed $20 million many years ago, I went to my then-wife and told her, “We are rich.” She asked me a question. She said, “Do we have a mortgage? I told her that yes, we do. She said, “We are not rich.” Then the net worth went to about $50 million. Again, I went to her and said, “We are rich.” She looked at me like I was some idiot and said, “Do we have a mortgage?” I said, “Yes.” She said, “We are not rich.” I paid off the mortgage, and then I went and told her, “Our net worth is $60 million. We are rich.” She looked at me like I was an idiot again and said, “Do we have a mortgage?” I said, “No.” She said, “Oh, we are rich.” It was a great lesson for me. I was of the mindset that a mortgage is non-recourse. It is recourse just to the property. The interest rate was low, so why would I want to not compound at a high rate? There is something to be said for not having leverage in your life, so I tried from that point onward to avoid leverage; even extremely benign leverage. That answer is agnostic of interest rates. It is a comfortable feeling when you do not owe people money and such. I also have had the greatest problems in businesses we have invested in which were themselves levered. That was the number one reason we had issues in different companies. I tried to get away from the levered businesses. If you look at our business positions today, there are only two businesses that we own where the leverage is higher than where internal management wants it. One of those is TAV and the other one is Edelweiss in India. In both cases, the management teams are hell-bent on taking that leverage down as soon as possible. In the case of TAV, most of that leverage is non-recourse. It is also at a very low interest rate fixed for 20 or 30 years like their Almaty airport is 4% fixed for 25 years. TAV will successfully deal and they will only have SPV-level debt at a pretty modest leverage. Edelweiss also is de-leveraging. They have one business that got them into some trouble and they are unwinding that. But other than that, when we look at the rest of the pie, there is no leverage. What I admire about Reysas is that on the real estate side, their REIT which probably has a value of around 2 billion if they were to sell it, the debt on that business is less than a hundred million. We do not have REITs like that in the US where you have got 95% equity and they are growing that equity value at probably at least mid-double digit rates a year, which is fantastic. A business that increases value without the use of leverage is great.

Question: Hello, Mohnish. Jefferson from San Francisco. We have unfortunately seen Charlie pass away. I am just wondering if you have any thoughts on what Berkshire's stock price will do, relative to the S&P 500 or any predictions on corporate governance management changes on Buffett's passes.

Mohnish: I do not think that is that impactful to Berkshire. They have got a great leader in Greg Abel. The biggest issue Berkshire faces is size. We can see that in their growing cash pile. It is $170 billion that they are sitting on, and they are sitting on $170 billion with Warren Buffett at the helm. You have got the same leader that they have had for five, or six decades, and he is having difficulty putting that money to work. The next leader will have the same challenge; how do you put that money to work? Berkshire has said repeatedly that today they are not ready to throw in the towel. They still think that they can find places to put that money. At some point, if they decide that they cannot put the money to work, then they would focus on returning it to shareholders. They would return it either with buybacks, dividends, or a combination. Relative to the S&P, the S&P is in a little bit of an overheated situation from my point of view. They have lagged the S&P for quite a while, and they may do better in the future. Hard to tell. This is an academic question for us because we do not have a stake. Funds do not have any stake in Berkshire Hathaway. It is a decent place to have family money. It is as good as or better than the S&P as a place to have assets. If I were to pick between the S&P and Berkshire, I would probably pick Berkshire today and then just leave it at that. Both the S&P and Berkshire will have difficulty getting to double digits annually.

Question: Hi, Mohnish. Matthew Peterson here from Austin. Thank you for having us all, and congratulations on your making it into a rap song. It is a huge and new level of success. Talking about technology, I believe for a while you were involved with BABA, and then you did the Prosus for Tencent analysis and purchased them. BABA, from my perspective, has gotten very inexpensive. I am curious if you have any thoughts on that industry in the tech sector in China and what it is going through.

Mohnish: That is a great question. We had a position in BABA. We had a position in Tencent, and we also had a position in Prosus. I have a lot of admiration for all three companies. I especially have a lot of admiration for Tencent. Their execution historically has been extremely good. We were also blind-sighted when we made the investment in Alibaba about how much the government could hurt them and the actions the government would take, which would be not in the best shareholder interest. A lot of that came from left field, and it destroyed a lot of value. A lot of shareholder value was destroyed. I have always had an aversion to investments in $100-$200 billion-plus market cap entities. I just think there are kind of upper limits. You start hitting in terms of where those businesses can grow. We have seen businesses like Microsoft go from $300 billion to $3 trillion in the last decade. There is nothing that says that a business worth $200 billion could not be worth $2 trillion. But in many ways, it may be easier for a business to go from $20 billion to $200 billion than from $200 billion to $2 trillion, or to go from a hundred million to a billion, for example. This may be irrational, but I am more biased toward businesses that are lower end on the market caps with simpler businesses with a strong possibility. For example, if I were to look at a bet like Alibaba versus a bet like Alpha Metallurgical Resources, Alpha only has one product. They cannot grow. They do not have a desire to grow, and they have a very strong commitment to return all cash to shareholders via buybacks.

If we have a company that is going to be around for, let us say 30 to 50 years, and at the end of the 30 to 50 years, it is worth zero, but in the next 30 to 50 years, they are going to pump out somewhere between half a billion to $2 billion a year in cash flow. Someone is offering me that business for $1.8 billion, with no debt. Where do I sign? Especially when they are saying that I will take every dime of cash flow and buy back shares. Alpha has already bought back a third of all the shares outstanding. If you just run the math on a $2 billion market cap, or a $3 billion market cap producing $400, $500, $600, and $700 million a year in cash flow, the shares outstanding, start disappearing fast. It would be hard to find another business that can deliver a higher return. If I were to compare that to something like Alibaba, I would have to spend a lot more time studying each piece and understanding it. It is not in my backyard as the business is in China. I am not a daily consumer of their businesses. I have never been to the grocery store. It is a lot more removed and distant. Someone in China will have a much greater advantage on all of that. Even at the end of all of that, something like Alpha would not have difficulty compounding at very high rates if two or three of our assumptions were accurate.

There are two or three implicit assumptions in those bets. If those assumptions come to pass as being correct, then it works. I am much more biased toward investments where I can lay out the thesis in three sentences, or five sentences, and I do not think I can lay out a thesis on Alibaba in five sentences. I would have to tell you that there is this part of the business and this part of the business, and when you look at all of these parts and what is happening and all of that. Alibaba is probably a business that is hitting floor valuations. It probably does well in the future. Tencent might do very well in the future as well. But when I look at the landscape, I am more interested in some of the other names.

Question: Hi Mohnish, I am Shaw from Ottawa, Canada. I had a question about the ability to identify great capital allocators. I know in the past you have mentioned identifying a great business is fairly easy, but identifying great investment managers is much harder. I would say identifying great capital allocators is even harder than that. I think you have a few positions in Canadian companies such as Constellation Software or Tiny Capital. I am wondering if you can give some perspective on the capital allocation process of Mark Leonard, Andrew Wilkinson, or even Bruce Flatt in Brookfield.

Mohnish: I met Mark Leonard for the first time last year. I had breakfast with him, and then we went to his home office after that. Mark is probably one of the most gifted capital allocators around. He is exceptional. He is off the charts on many fronts. We have a small position in Constellation in the Wagons Fund. One of the things with the Wagons Fund is that because of mutual fund rules, we have to have many more stocks than would be my natural bet. Normally, if I am making a bet, it would be 10% of assets. But the mutual fund concentration rules do not allow that. We need to have closer to 20 positions or more to meet the diversification requirements. They also have restrictions on how much in one industry and one group and so on. Constellation is a very unique business, and they have an amazing engine. Just to give you an example, they have a list of about 40,000 small software companies in their database. These 40,000 companies get nudged about two times a year. The owners or CEOs of these companies get nudged by Constellation.

I have a couple of friends who received the nudge, so I got to see what they are sending on from the other side. These nudges are very gentle, where they say, "Just keep in touch and if you ever decide to do something like sell or move on, please think of us. We could be a good partner." You have 40,000 companies nobody else is interested in. The private equity world or the venture capital world wants businesses that have high growth, have demonstrated high growth in the past, and have likely high growth in the future. Constellation is very happy to buy a software business that is even in decline. They are certainly very willing to buy a software business that is flat-lined and has been flat-lined for a long time.

Mark was telling me, for example, that there was a big venture boom in the last several years. With a typical VC, it is a moon-shot model. They might make 10, 15, or 20 investments in a fund. It is one investment that is going to make or break that fund. One outlier is going to produce a 10X or 50X, and most of it is going to go to zero. They start off being on the boards of all these companies and helping them along. But as these companies start faltering, the VCs start getting off the board. They want to raise their next fund and find more winners. There are a bunch of companies in that mix that are not going to zero; they are not going to disappear, but they have no growth prospects. They have kind of reached $5, $6, $7 million in revenue. They serve an important customer base, and that customer base needs them, but the business is not going to grow much. That is where it is. The owners of those businesses may love them, may get older, or may want to do something else, and that is when Constellation comes in. Pretty much, they have been doing this for such a long time that they know what they are looking for. They have got industry groups and they do not need to pay fancy multiples to buy these businesses. You have an engine of venture capital, which is creating more and more of these businesses, which become orphans. On the other end, you have Mark Leonard as the catcher, and he is the only catcher there. That is a great engine and it is a great home. They leave the businesses alone for the most part. They give them a helping hand as they need to. It is a very unusual place. I wish I had learned about Constellation much earlier, but we are happy to have a position in the Wagons Fund.

Question: Hello. Joshua Thompson from Mobile, Alabama. I just had a question about Charlie Munger. If you can share some more stories just in light of his passing. All of us kind of live vicariously through you in that relationship. The second part to that question is, that you had mentioned that on Charlie's gravestone, he wanted it to read, "I tried to be useful." Have you thought about what you would have on your gravestone?

Mohnish: Charlie and I had a very unlikely friendship. I would have never expected to be friends with Charlie Munger. One of those quirks in life that should not happen but did happen. It was a 15-year friendship; many dinners, many bridge games, and a lot of banter. That quote on his gravestone sums up Charlie well. He was always focused on how he could help someone. Whether or not it benefited him was not relevant to him. I do not think Charlie ever read this book by Adam Grant called *Givers and Takers* which is a great book to read. Adam Grant says there are three kinds of people in the world; the givers, the takers, and the matchers. He says that you do not want to have anything to do with the takers in life. These are just people who want to extract whatever they can from you with no interest in reciprocating or anything.

The matchers are people who say, “He did me a favor. I am going to do him a similar favor.” But what Adam Grant pointed out is that the ones who end up being the true winners are the givers. These are folks who are trying to help others with no agenda. They do not expect that something should come back to them or something should be done for them. What happens is that the givers end up owning the world because everyone wants to help them and do well and such. Charlie was an extreme giver. You can just see how much came back to him, even though that is not what he was looking for. That is not what was driving him. He was just trying to act in a good way. I attended his memorial service about six weeks ago in LA and they had it at the Harvard Westlake School. He was on the board of that school for around 54 years. That is a long time. A lot of his kids and grandkids went through that school. I had never been to the Harvard Westlake campus before. I do not think I would ever go to a school campus which would be better than the Harvard Westlake campus. It looks like a very high-end university. The buildings which are mostly designed by Charlie are incredible; beautiful Southern California architecture that is very well laid out. Charlie tried to help them a lot along the way. The headmaster spoke at the memorial of the Harvard Westlake School, and he was recounting a bunch of Charlie's stories.

One of the things he was saying is that when they were expanding the campus and trying to acquire land and different things, there was one particular large home that would work very well if they were able to acquire it, knock it down, and then make it part of the campus. That home was owned by Ron Perlman; the corporate raider PE guy. Charlie told the guys on the board not to approach Ron Perlman to sell the home because if they do that, they will never get the home. But he said that Mr. Perlman's fourth wife lives in that home, and he told the board that the fourth wife episode will be over in about two years and Mr. Pearlman will lose all interest in the home, and they can quietly acquire it. About 20 months later, the home was on the market, and Charlie said, “Now you can go and buy it. No problem. You do not need to pay a premium or anything. If you tried to nudge him before in any way, he would have made it hell to get that property.” Jim Senegal also spoke at the memorial. Jim Senegal was the founder and CEO of Costco for most of its last several decades. Charlie was on the board of Costco, for more than 30 years.

Jim Senegal was saying that in 30 years he cannot recall Charlie ever having missed a board meeting. Usually, Charlie would fly Southwest to Seattle with the cheapest tickets he could find for the board meeting. I asked Jim after the memorial if he could recount what was the influence that Charlie had on Costco. Jim was stumped. He said to me that he could not think of anything different at Costco because Charlie was on the board. That is actually how Charlie functions in the sense that I know that he moved Costco in a certain direction, and the way he moved it, they do not even know that they were being moved. The same thing happened at Dakshana. You know, I used to have so many conversations with Charlie about Dakshana. If you asked me what was Charlie's influence on Dakshana, I would say, I do not know if there is any influence, but if I think back to a lot of the conversations that we would have, he moved the needle. It is just that he made it appear like these were your thoughts. Every time I would meet him, at least 30 to 45 minutes was on Costco.

There was always stuff about Costco he wanted to talk about. He used to say that Costco is not a retailer. It is a buying agent for you. It represents you, and it puts billions of dollars of buying power on your side.

There are many stories about Costco. One time they got some huge consignment of jeans, these Calvin jeans, which would normally retail for over a hundred dollars or whatever. They got them for like $16 per piece. That was their cost. Internal to Costco, there were a lot of managers who were saying, "Even if you price it at $40, it is a great deal for our members. They cannot get these jeans at that price." Jim Senegal told them the highest markup at Costco is 15%, and that cannot change. Costco marked up at 15%, and they were gone. They could have charged two or three times that price and they still would have been gone. What Charlie did with Costco was that he reinforced for them that whole buying agent notion and then played the long game. They just moved into an area and they just reinforced that whole ethos. Even at Berkshire, there is no Berkshire Hathaway without Charlie Munger. You take Munger out of the equation, and there is nothing like what we see as Berkshire today would exist.

Of course, Warren pointed out that Charlie was the architect, but he never wanted to take credit. He was not interested in any accolades about it. He always was focused on the task at hand ahead. Two days before he passed away, he was in the hospital in Santa Barbara and he knew he had hours left before he was gone. He knows that and he is trying to close one last grant to a non-profit. There is no upside for him to get that done. Munger did not believe in God. He did not believe that there was anything after we were gone. But he was still trying to use whatever was left of his mind and body to do a little bit more. There are a lot of things I have been thinking about last several weeks and months. What an amazing guy. They broke the mold. We will never see a guy like that again. It was wonderful.

Question: Hello. I am Fernando from Vancouver. When investing in strong businesses, management quality is crucial for capital allocation. Do you prioritize studying management when investing in these businesses?

Mohnish: Of course, we care a lot about the nature of management. I do not have any issues with the management of these three companies. They are just world-class in all three cases; it is great. In the case of Reysas, the father and son who run it have been regularly coming to Omaha now. He will be in Omaha this year. He has been coming for a few years. That is quite wonderful to see him take the time to do that.

Question: Hello. My name is Colin Dredge. I love the book *What I Learnt about Investing from Darwin.* What do you think of Nalanda's portfolio construction of roughly 30 positions and never selling anything?

Mohnish: I love that book as well. I sent it to all of you on the topic of opportunity costs. Well, I have a lot of respect for Nalanda. They do a lot of deep and good work. I also admire their transparency; their entire portfolios are on their website that anyone can view with no login or anything. They are very transparent and it is admirable the way they run things. Take the 30 positions, if they never sell any of them, and keep them for 10 or 20 years, there will be several of them that will not meet expectations. It may not be easy to tell today which will be the winners, and which will be the losers. If we take a basket approach like they are taking, the result for them will be exceptional, and that is the same with us. I do not know which holdings we have will turn out to be mistaken, but I know that even though I cannot tell that everything looks like a winner from today, I know that there are losers in our portfolio. I just do not know which ones they are. I also know that if we keep this cast of characters in the mix for a few years, we will be very happy with the results. Everything does not need to work for Nalanda and it does not need to work for us.

Question: What industries do you favor in the years ahead?

Mohnish: Well, it is not how I approach things. We are bottom-up stock pickers. I had no idea when 2023 started that we would make any investments in coal. But things showed up in our lap and they looked really exciting and mispriced, and we went all in. I also had no plans to ever invest in Turkey till I visited. That was just a trip to kick the tires, and it turned out that there was an opportunity, and we went for it. I am much more focused on individual businesses and then kind of looking at them. For example, in the last few months, we have made several field trips in the car dealership space. I have enjoyed the deep dive and getting to know the management teams. In many cases, we went to individual dealerships and saw the culture, people, managers, and salespeople there. There are two things that the market may be wrong about. The markets seem to have a view that as we transition to electric vehicles, the parts and service business of dealerships will go down dramatically. Parts and service make up, in many cases more than half the profits of these dealerships. That is a serious consideration. The second assumption is that many cars in the future will be sold directly to customers by the OEMs without going through a dealer network. I have concluded both are wrong and that most cars will not be sold directly without going through a dealer network. We have a lot of data that showed us that over 20 years, the total amount that an electric vehicle will generate in parts and service for a dealership will be comparable to an ICE car or maybe even more than an ICE car over that same part of your life. We do not see any evidence, and this is with kicking the tires quite a bit, that parts and services are going to have any major change. Also, one thing about the new car retailing business is that most car dealerships do not make a lot of money by selling new cars. There is a lot of transparency when consumers are buying new cars and they can comparison shop. New car margins are relatively low and make up maybe 10, 15% of the overall profitability of a dealership. That piece of it, which has been under attack for a while, for the most part, is irrelevant. That is an example of an area that looks interesting and the funds have not gone into the dealerships so far, but we will see how that works in the future.

Question: Hi. My question is on the US economy and how it will play out in the election year and how it will affect our investments in the next year or two.

Mohnish: Well, I have no idea. I wish we had better choices in the election. In terms of how it will affect our investments, well micro trumps macro. What matters in these companies for the most part is more along the lines of what management does and what happens around those businesses with their competitors, and then what happens with elections.

Question: Hello, Mohnish. I have two questions. For the first question, I listened to your forecast. One of the things you mentioned in your forecast several times is finding good-quality people in life. Help me understand, what do you mean by good quality? How do I define a good quality friend? That is my first question. My second question is, when do we get to taste your chai?

Mohnish: We hopefully have some good chai with dinner today, might not be as good as mine but we will get there. Buffett would say that when you are trying to get a definition of a good friend, for example during the Holocaust, you are a Jewish person and you would ask, "Would they hide me? Would they take the risk and hide me?" If someone is willing to hide you, then that is a pretty strong endorsement, that they are a good person. You are looking for folks who are going to selflessly support you. Buffett also used to say that if he came home with a dead body in his car and asked his dad to help bury the dead body, he thought his dad would help him bury the dead body without asking any questions till the next morning. That is another definition of a good friend; someone who is in your corner. The other definition you can also use is, when you are trying to decide who to go to work for, look for people you like, admire, and trust. The friendship part is pretty relatively easy. If you just look at the people who are your close friends and run some of these things in your head, it should separate the wheat from the chaff pretty quickly. That should work out.

Question: What industries do you favor in the years ahead?

Mohnish: I have no idea. It just depends on what shows up under the radar. We are a very opportunistic operation. We have no strategic grand plan, and we just kind of go to work every day and just look at what shows up, what is going on and what is the best way to put the capital to work.

Question: This is Lalit Irani again, from Dubai. If one were to add to the funds? How would you allocate?

Mohnish: He would be coming into the offshore fund. The offshore fund is the one that I would like to have more assets come in. The negative is its intrinsic value would go down because it has such a big Reysas position, but it would get more balanced. Our offshore fund is not able to allocate fully to the non-Reysas positions because Reysas is so big. We would like to have more of the non-Reysas positions there. That is what we would do if funds were coming in there.

Question: Hi, I am Kristy from North Carolina. I am a high school senior. My question is, what advice do you have for us, young ones, who are trying to do business?

Mohnish: One thing that is not easy for someone at your age and may not be apparent is what is your calling in life. Some people have clarity on that relatively early. People like Bill Gates, Warren Buffett, or Michelangelo, when they were 10, 12, or 13, they knew what they wanted to do. They set on that path and went all in. If you are at a point where there are things that you are passionate about, really excited about, and deeply interested in, then things become easy in the sense that you can focus all in on that. If you are not at that point and you are trying to figure out what you should do and what you should focus on, then try to pursue education, which is broad-based and gives you exposure to a lot of different things, which will hopefully get you to figure out what your passion is, that is the way to go. The sooner you can figure it out, the better it is. But they can also be false signals. Something looks interesting, but you might go down and find that this is not for you, which is fine. It is a great age to discover, learn, and understand. When you do find something that is appealing, find other people that could be part of a team or even one other person, it can make the journey a lot more fun.

Question: Hello. My name is Omaro and concerning that good friend, I was just reminded of the movie Wall Street by Michael Douglas which says "You cannot have a friend. You need a friend, go find a dog." My question is the Wagons Fund, why the mutual fund structure and not an ETF, and what is the fee structure for that?

Mohnish: The Wagons Fund fee structure is a 1% fee for the institutional class, and a 1.25% fee for the retail class. Institutional class minimum is at least a quarter million. The retail class is just a few thousand. We went with the mutual fund structure because ETFs, for the most part, are index-like products. They tend to be mostly on autopilot. There might be a coal ETF or crypto ETF. They give you exposure to different sectors in a sort of index format. It is very efficient. In our case, the Wagons Fund, is an actively managed fund, and it will continue to always take a lot of effort, time, and research; lots of dollars to do that. If we were in an ETF structure, we would not have the fees to support all of that. Unless it got to be a huge multi-billion-dollar operation, which then would not serve investors well, because all of the things we want to invest in would not make sense. We went to the mutual fund structure so that it is a reasonable fee structure and at scale, there is a reasonable amount of upside for the team that is running it. That is why we went to that structure.

Mohnish: I have a few questions here on the Pabrai Wagons Fund. The Pabrai Wagons Fund is a mutual fund. There are a lot of restrictions on what I can and cannot say about that fund because I am not a registered rep of the fund. We have a registered rep for the fund. What I would suggest is that if you have questions about the Pabrai Wagons Fund, just send us an email. You can even send the email to Pabrai Funds. You can even send it to me at mp@pabraifunds.com. It will go to Canh in our office who is a registered rep, and he will reply to your email. If you want to have a conversation, then you can have a conversation with Canh as well. I am going to skip all the questions on the Wagons Fund and I will just defer those to Khan just to keep front and center on what the rules and laws allow me to do.

Question: When will the slides that were presented today be available to view on the Pabrai website?

Mohnish: We will focus on trying to have them up early next week on the website. The transcript will take a little longer, but you will at least have the slides by next week.

I am going to make that the last question. There is a couple in Toronto, which I got quite surprised and flattered. They made a rap song about me. They did a pretty good job with the rap song. I am going to let that rap song play and then after that, I am going to say goodbye to you guys. I hope you enjoy the song.

The rap song by the Toronto couple is played.

It was truly a pleasure and thank you for taking the time. We will put the slides and video up early next week and then a few weeks after that the transcript as well. Thanks a lot, and all the best. Thanks for all your support and confidence over the years. Bye.
