

DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings
From: Mohnish Pabrai, Managing Partner
Date: January 18, 2019
Re: **Q4 2018 Results et. al.**

Dear Partners:

Happy New Year! For the quarter ended December 31, 2018, a total of \$8.0 million was added to the various funds by new and existing partners. The additions on a per fund basis are:

Dhandho India Zero Fee US Fund:	\$5.1 million
Dhandho India Zero Fee Offshore Fund:	\$1.8 million
Dhandho Junoon Zero Fee US Fund:	\$0.6 million
Dhandho Junoon Zero Fee Offshore Fund:	\$0.5 million

Total: \$8.0 million

In addition, December 31st was the annual redemption date. A total of \$0.9 million was redeemed from the various funds. The redemptions on a per fund basis are:

Dhandho India Zero Fee US Fund:	\$0.4 million
Dhandho Junoon Zero Fee US Fund:	\$0.5 million

Total: \$0.9 million

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is April 1, 2019. Funds and subscription docs must be in by March 31, 2018 to make the April 1st opening date. The

minimum initial investment is \$1.5 million for the India Zero Fee Funds and \$500,000 for the Junoon Zero Fee Funds. Existing partners can add as little as \$25,000. If you are interested or would like more information, please nudge either Fahad Missmar at fm@dhandhofunds.com or me at mp@dhandhofunds.com.

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

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

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

	S&P 500	India US (net to investors)
10/1/17 - 12/31/17	6.6%	1.1%
1/1/18 - 12/31/18	-4.5%	-21.2%
10/1/18 – 12/31/18	-13.5%	-2.3%
Annualized	1.5%	-16.6%
Cumulative	1.9%	-20.3%

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

	S&P 500	India Offshore (net to investors)
10/1/17 - 12/31/17	6.6%	0.5%
1/1/18 - 12/31/18	-4.5%	-20.2%
10/1/18 – 12/31/18	-13.5%	-2.3%
Annualized	1.5%	-16.2%
Cumulative	1.9%	-19.8%

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

Dhandho Junoon LP (US Qualified Purchasers) Performance Summary:

	S&P 500	Junoon US (net to investors)
7/1/16 - 12/31/16	7.8%	12.9%
1/1/17 - 12/31/17	21.8%	15.6%
1/1/18 - 12/31/18	-4.5%	-16.2%
10/1/18 – 12/31/18	-13.5%	-19.8%
Annualized	9.5%	3.6%
Cumulative	25.5%	9.4%

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

	S&P 500	Junoon Offshore (net to investors)
7/1/16 - 12/31/16	7.8%	12.6%
1/1/17 - 12/31/17	21.8%	17.8%
1/1/18 - 12/31/18	-4.5%	-16.2%
10/1/18 – 12/31/18	-13.5%	-19.9%
Annualized	9.5%	4.3%
Cumulative	25.5%	11.1%

The Zero Fee Funds

India Zero Fee Funds

The India Zero Fee US and offshore funds were both down 2.3% for the quarter while the S&P 500 was down 13.5%. For calendar 2018, the US and offshore funds are down 21.2% and 20.2%, respectively, while the S&P 500 is down 4.5%. In dollar terms, the Indian small-cap and mid-cap indices were down 20-30% in 2018. Most of our exposure in India is in the small-cap and mid-cap space – and our performance in this short period was similar to the indices.

We own fractions of some truly exceptional businesses bought at prices well below their intrinsic value. I love our recent purchases – which were only possible due to the Q4 market volatility. I love what we own in the India funds and expect the funds to do quite well in the years ahead.

*In the short run, the market is a voting machine.
In the long run it is a weighing machine.*

- Ben Graham

Junoon Zero Fee Funds

The Junoon Zero Fee US and offshore funds were down 19.8% and 19.9%, respectively, for the quarter, while the S&P 500 was down 13.5%. Since inception on July 1, 2016, the funds are up 3.6 – 4.3% annualized, versus 9.5% for the S&P 500. Junoon is just 2½ years old and there is virtually no meaningful conclusion to draw from this data. These are early days.

Junoon rebalances its portfolio annually in April, but experienced a change this quarter due to an acquisition. Sonic, a Cannibal and our largest position (over 9%), was acquired by Inspire Brands. We held the position for less than nine months and locked in a 67% realized gain. Following our algorithms, we used the cash to buy Terex, a manufacturer of aerial work platforms and construction equipment. Terex is a consistent cannibal and has reduced shares outstanding by 33% in the past 5 years and 13% in the past 12 months.

In my opinion, the Junoon 22 stock portfolio of Cloned Ideas, Spin-Offs and Cannibals will outperform the S&P 500 over the long haul – after all fees and expenses. The Junoon constituent selection process has a heavy value bent – and therein lies its strength. I would rather own Junoon than the S&P 500.

Dhandho Holdings

Dhandho Holdings' estimated NAV at 12/31/18 was \$4.13 per unit, down 8.8% from the final NAV of \$4.53 at 9/30/18, and down 16% for the year. Note that the NAV applies meaningful discounts and haircuts to the Stonetrust sales proceeds receivable over the next three years as there are warranties associated with the receivable. This discount is over \$9.5 million or around \$0.64/unit. We continue to

expect the tangible NAV to exceed \$5/unit in the foreseeable future – enabling a 100% or greater return of the contributed capital.

The decline in NAV this year is attributed primarily to the decline in the stock price of Fiat Chrysler Automobiles (FCA). Our FCA position dropped in value from \$35 million to \$23 million in 2018 – a decline of 34%. Given the large size of the FCA position, some commentary is in order.

Fiat Chrysler Automobiles (FCA)

One of the first investments Dhandho Holdings made after starting operations in January 2015 was Fiat Chrysler. It was about 2½ years after Pabrai Funds had made its initial investment in FCA in 2012. Even though the price had doubled since Pabrai Funds had bought, it was still very cheap.

In 2015 the entire market cap of the company was less than \$12 billion. One of the largest businesses on the planet with over \$130 billion in topline revenue had its equity valued at less than 10% of revenue. The \$12 billion market cap included 90% ownership of Ferrari, which was spun out in 2016 and is currently valued at \$21 billion. FCA recently sold Magneti Marelli, a wholly-owned auto parts company, for \$7 billion. That too was buried in the \$12 billion. And there are market rumors that another obscure subsidiary, Comau, may be sold for something north of \$2 billion. In 2012, I ascribed zero value to Comau, less than a billion to Marelli and did not focus much on the 7000 cars/year that Ferrari sold.

What I was focused on was the very unusual leader FCA had at its helm. I probably would have taken a pass on FCA if Sergio Marchionne wasn't running it. Mr. Market did not appreciate that the bankruptcies of GM and Chrysler had allowed them to become lean, mean fighting machines. Most of their legacy liabilities were history and they had a complete reset in labor costs. Detroit went from being the worst place on the planet to build a car to the best. I also saw incredible value in its Jeep, Ram and minivan franchises. Ferrari, Maserati and Alfa Romeo were icing on the cake.

What took place at FCA from 2012-2018 was exciting to watch from the sidelines. Sergio got rid of virtually every “me too” product in the lineup. Today, FCA pretty much does not manufacture sedans in North America. They killed virtually every sedan and doubled down on Jeep, RAM and SUVs – nearly half a decade ahead of GM and Ford.

In 2012, about 14.4 million cars and trucks were sold in the United States. Last year, the number was 17.3 million – an increase of 20%. Compare that to FCA's sales increase from 1.65 million in 2012 to 2.24 million in 2018 – an increase of 36%. But that does not tell the full story. In 2012, FCA sold about 335,000 sedans like the Chrysler 200, 300 and Dodge Avenger. All three (and many more) name plates were killed. In addition, FCA significantly cut back on low margin fleet sales. Basically, the company went from selling 1.3 million trucks and SUVs in 2012 to 2.2 million in 2018. Not only did volumes go up 70% in six years, but margins went from the lowest of the big three to the highest. FCA was dealt the worst hand of the Detroit big three and ended up with the best hand. By January 2018, FCA had delivered nearly a 3x return since our 2015 purchase. Even with the decline it is still more than a double since we bought.

So, why not sell? As hard as it may be to believe, we are not done yet. In June, 2018, the company published its detailed plans and targets for 2022. If there are no buybacks or dividends, the company expects to have north of \$33 billion in net industrial cash by the end of 2022. For reference, the market cap of Fiat Chrysler at the end of 2018 was less than \$23 billion. What happens if they buy back \$10-20 billion of stock in the next few years?

And if we ignore the entire \$33 billion of cash, the stock is changing hands at less than a P/E of 2 on target 2022 earnings. And those earnings are heavily sandbagged. They do not include the captive finance arm that they intend to buy or build. FCA makes virtually no money in Latin America, Europe or Asia today. It is very unlikely that will be the case in 2022. The company is taking several deliberate actions in all these geographies to make them shine. It also does not include the quite significant stock buybacks that may start by 2020.

As many of you know, sadly, Sergio Marchionne passed away in July 2018. Sergio's chosen successor, Mike Manley, is now the CEO and I have no doubt that Mike and his team are singularly focused on delivering the 2022 plan and then some. At this point, it looks quite dumb to sell, pay a lot of taxes and try to find something better than a stock trading at less than a P/E of 2 on conservative 2022 earnings - ignoring 2022 cash that is 150% of today's market cap! Mr. Market was quite stupid to price FCA at \$5/share in 2012 and it is again stupidly pricing it at \$14.25/share.

In short, Fiat Chrysler's \$33 billion of 2022 target industrial cash, a P/E of less than 2 on 2022 target earnings, the under-\$23-billion market cap and an ability to buyback a massive portion of shares outstanding (if the price doesn't move) would make selling Fiat Chrysler today a pretty dumb move. In 2012 the market cap was around \$5 billion and they targeted earnings of over \$5 billion in 2018. No one (except me) believed them.

What they actually delivered was asset sales and spinoffs valued at \$28 billion and earnings of over \$3 billion after removing the very significant earnings of Ferrari and Magneti Marelli. It would surprise me if they did not blow past their 2022 targets. This is Sergio's hand-picked battle tested dream team that ran circles around GM and Ford. For this crew the 2022 plan are sacrosanct commandments that they co-developed with their martyr Sergio and they are hell bent on delivering it.

FCA represents about 1/3 of the residual tangible value of Dhandho Holdings. It is an important asset. I think we can monetize it for a far better valuation in the next few years. The plan is to push the proceeds out to investors when we monetize.

Dhandho Funds

Besides the Dhandho Holdings equity portfolio, our attention at Dhandho is focused on building the Dhandho Funds business and managing the Dhandho Zero Fee Funds. The business is off to a very fine start. Dhandho Funds began in mid-2016 with \$5 million in AUM. This grew to \$73 million by the end of 2017 and \$91 million at the end of 2018. We are getting to critical mass with these funds. Once we get past high-water marks, the performance fees can be quite meaningful. Stay tuned.

Stonetrust Update

Dhandho continues to receive cash payments due to it from its sale of Stonetrust. Of the \$70.4 million sale price of Stonetrust, we have received about \$53.6 million so far. The bulk of the \$16.8 million yet to be received from the Stonetrust sale is subject to adverse development. It is worth mentioning that it has been over a year since we sold Stonetrust and, so far, there has been no adverse development of Stonetrust's pre-2018 reserves and zero haircuts to our receivable.

As more time passes from the sale date and pre-2018 claim files continue to get closed, the odds of adverse development will continue to decline at an accelerating rate. I am cautiously optimistic that we'll get no negative surprises over the next 3 years.

Next Distribution

Fiat Chrysler is planning to issue a large one-time dividend in mid-2019. This could be \$2.5-3.0 million to us. In addition, we expect to receive \$3.4 million in Stonetrust sale payments by then. Dhandho's entire equities portfolio exceeds \$50 million at this time. We will unload enough positions and shares to distribute at least \$1/share in mid-2019. The plan is to keep making distributions till we have returned all the capital and then some.

At the time of the distribution, we will also have a mechanism to allow existing investors to fully exit for those that prefer that option. We'll prorate the sale among interested buyers after insiders (excluding me) have made their purchases. With that said, *if I were you, I would not sell any of my Dhandho units.*

Alignment of Interests

My family's investment in Dhandho Holdings is worth approx. \$13.2 million at the estimated 12/31/18 NAV and The Dakshana Foundation's interest is worth \$774,000. My family, Fahad Missmar, Jaya Velicherla and The Dakshana Foundation own about 24% of Dhandho Holdings. It is important to note that Dhandho has never issued stock options or given units to management below fair value, etc. Every unit we own has been bought on the same terms as you.

The Zero Fee Structure

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

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

Through December 31, 2018, Dhandho Funds has reinvested total performance fees of \$177,525 into Junoon US; these shares have a current value of \$150,719.

Updated Investor Presentations

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

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

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

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

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

2018 Annual Meeting Presentation

We had two very successful annual meetings in September at Soka University in California and at Carlucci's in Chicago. It was a pleasure to meet old friends and partners and welcome new ones. I'm very grateful to Lynn, Betsy, Karen, Valerie, Julie and Jennifer for all their diligence in organizing the various facets of the meetings and dinners so flawlessly.

The link to the annual meeting presentation is here and on our website for your perusal (the password to the video is "Munger"):

<https://vimeo.com/290342536>

The transcript to the meeting will be posted on the website in Q1 2019.

Chai With Pabrai Blog

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

The Ten Commandments of Investment Management -Boston College

I very much enjoyed giving my talk on "The Ten Commandments of Investment Management" to Prof. Arvind Navaratnam's class on Value Investing at the Carroll School of Management (Boston College) in October 2018. It was my 8th year in a row! The talk is followed by a Q&A session where we discussed investing in India, a fair management fee structure, 2008 financial crisis and Sergio Marchionne.

<http://www.chaiwithpabrai.com/blog/the-ten-commandments-of-investment-management>

You may also enjoy Munger's commentary on the Pabrai Funds 0/6/25 fee structure. A pat on the back by Charlie is rare and I am over the moon about it.

<https://www.youtube.com/watch?v=lfRWWxo3Y4Y>

The India Zero Fee Funds and Junoon Zero Fee Funds follow the same fee structure.

Annual Report – Will be out in Q2 2019

Our modus operandi is now to provide expansive commentary in the annual reports and the annual meetings. The quarterly letter will continue to provide updated performance numbers and announcements, but minimal commentary. The annual report is slated to be published in Q2 2019.

Final K-1's (for US Investors)

For Dhandho Junoon LP, Dhandho India Zero Fee Fund LP, Dhandho Holdings LP and Dhandho Holdings Qualified Purchaser LP investors, we expect your final K-1s to be emailed to you (password protected) in March 2019.

2019 Annual Meetings – Save the Date

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

Prior to the California meeting on September 7, 2019, we will have the 6th Annual Gran Fondo Dhandho Bike Ride. It's a scenic ride around the Newport Estuary with views of the Pacific Ocean in Newport Beach, California. Biking can be a dangerous activity; we only want folks who are decent bikers on the ride. The ride begins at Starbucks in Newport Beach at 8:15 AM, and ends there around 10:30 AM. For folks that just wanna chill, you can come to the Starbucks at 10:30 AM and hang out with us bikers.

Here is a link to the Starbucks location:

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

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

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

The **California** meeting is scheduled to be on **Saturday, September 7th, 2019** at 4:00 PM at:

[Soka University](#)

Performing Arts Center

1 University Drive, Aliso Viejo, California 92656

Tel. +1949.480.4000

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

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

[Marriott Renaissance ClubSport](#)

50 Enterprise

Aliso Viejo, CA 92656

Reservations: 800-468-3571

Phone: 949-643-6700

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

<http://tinyurl.com/8dmevvu>

The **Chicago** meeting is thus scheduled to be on **Saturday, September 14th, 2019** at 4:00 PM at:

[Carlucci's Restaurant](#)

(The Auditorium)

6111 North River Road, Rosemont, Illinois 60018

Tel. +1847.518.0990

Carlucci's is a five-minute taxi ride away from O'Hare airport. [The Marriott Suites O'Hare](#) and [The Westin O'Hare](#) are both next to the restaurant. In addition, there are a plethora of hotels in the vicinity. Good deals on O'Hare hotels are usually available on the major travel-related websites.

Agenda:

4:00 – 4:30 PM:	Meet and Greet
4:30 – 6:30 PM:	Presentation and Q&A
6:30 – 7:15 PM:	Cocktail Hour
7:15 PM:	Dinner (Chicago only)

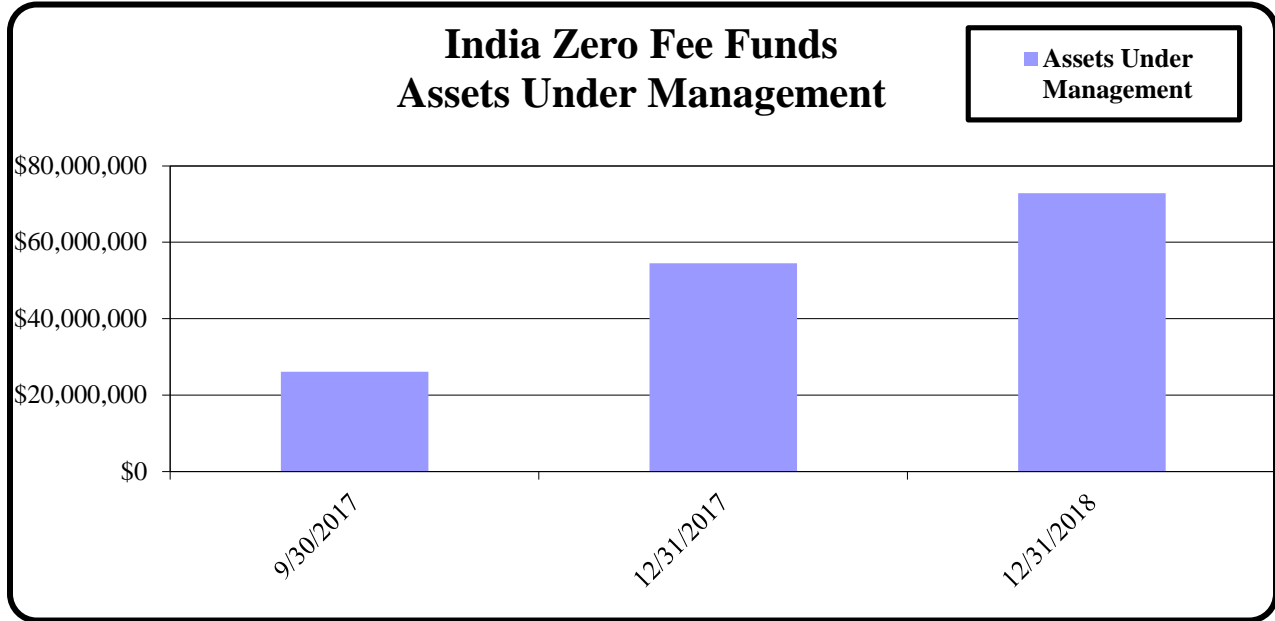
In lieu of dinner in California, we'll have an extended cocktail hour with expanded appetizers (multiple food stations), and lots of tables to sit and chat.

The invites will go out electronically via email in July 2019. Look for it in your inbox! Your significant other and kids of all ages are welcome to attend. As we are now a Registered Investment Advisor, the SEC requires that all guests (excluding family members) must be "accredited investors." The invitation is non-transferable.

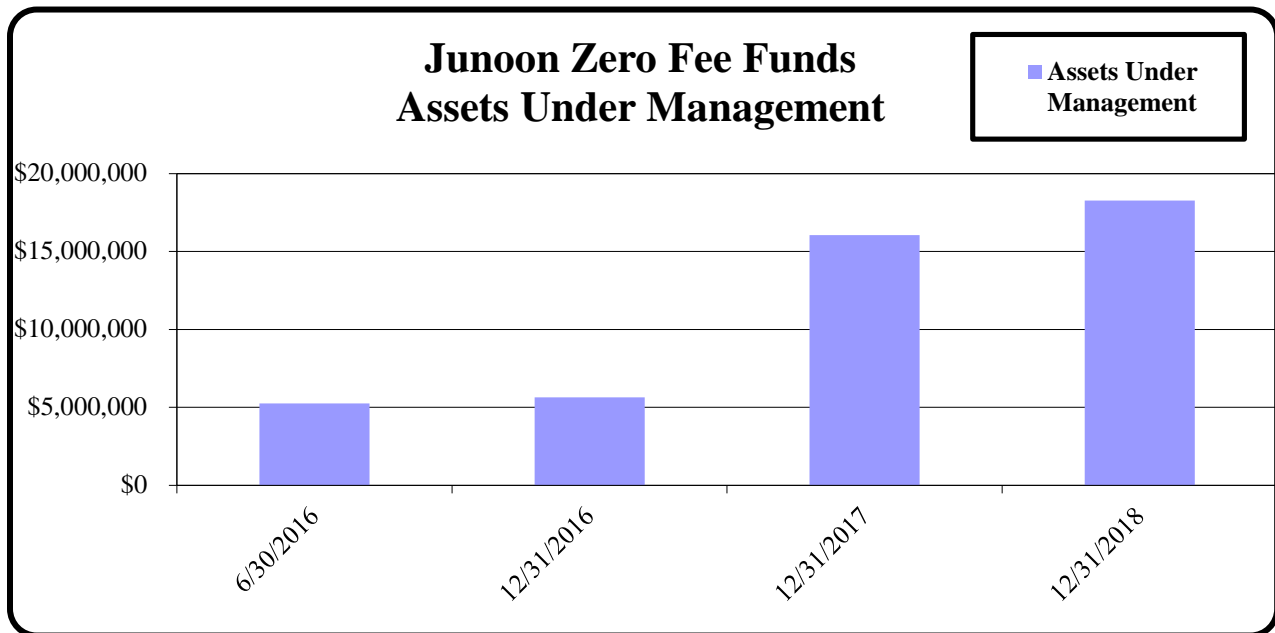
I look forward to seeing you in September.

Assets Under Management

There is \$72.6 million in assets under management in the India Zero Fee Funds as of January 1, 2019.



There is \$18.3 million in assets under management in the Junoon Zero Fee Funds as of January 1, 2019.



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

Warm regards,

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

Mohnish Pabrai

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

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Appendix A

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

No. of Units	Date	NAV
1,830,217	10/1/2017	\$10.00
3,183,760	12/31/2017	\$10.11
3,990,876	03/31/2018	\$9.23
4,271,456	06/30/2018	\$8.80
4,750,901	09/30/2018	\$8.16
5,334,464	12/31/2018	\$7.97

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

No. of Units	Date	NAV
780,489	10/1/2017	\$10.00
2,218,439	12/31/2017	\$10.05
2,941,434	03/31/2018	\$9.24
3,314,358	06/30/2018	\$8.86
3,517,856	09/30/2018	\$8.21
3,747,823	12/31/2018	\$8.02

Appendix B

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

No. of Units	Date	NAV
425,000	07/1/2016	\$10.00
400,000	12/31/2016	\$11.29
402,216	03/31/2017	\$11.54
428,128	06/30/2017	\$11.45
446,888	09/30/2017	\$12.61
582,360	12/31/2017	\$13.05
769,745	03/31/2018	\$13.34
844,651	06/30/2018	\$13.62
844,651	09/30/2018	\$13.64
849,508	12/31/2018	\$10.94

Dhandho Junoon Offshore Ltd. Performance History (Net to Investors)

No. of Units	Date	NAV
99,998	07/1/2016	\$10.00
99,998	12/31/2016	\$11.26
363,991	03/31/2017	\$11.43
363,991	06/30/2017	\$11.42
457,397	09/30/2017	\$12.85
638,352	12/31/2017	\$13.26
693,511	03/31/2018	\$13.60
763,442	06/30/2018	\$13.86
763,442	09/30/2018	\$13.87
808,442	12/31/2018	\$11.11

Appendix C

Dhandho Holdings Performance History (Net to Investors)

No. of Units	Date	NAV ¹
14,837,687	03/31/2014	\$10.00
15,218,640	12/31/2014	\$9.93
15,288,640	12/31/2015	\$8.36
15,218,640	12/31/2016	\$8.73
15,218,640	03/31/2017	\$9.31
15,218,196	06/30/2017	\$9.53
15,218,196	09/30/2017	\$10.76
15,217,801	12/31/2017	\$4.92 ²
15,217,801	03/31/2018	\$5.01
15,215,635	06/30/2018	\$4.73
15,215,635	09/30/2018	\$4.53
15,215,635	12/31/2018	\$4.13* <i>estimate</i>

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

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