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To: All Limited Partners and Investors in Dhandho Holdings  
From: Mohnish Pabrai, Managing Partner  
Date: January 19, 2015  
Re: **Quarterly Update**

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Dear Partners:

Hope all is well. This is a quarterly update on the ongoing at Dhandho.

### **Stonetrust Acquisition Completed**

I am pleased to announce that our acquisition of Stonetrust was completed on December 31, 2014 and Stonetrust is now a wholly-owned subsidiary of Dhandho Holdings Corp. Stonetrust was purchased for \$35 million. Of this, \$11 million was paid for the management company owned by Tim Dietrich (CEO of Stonetrust). Tim elected to take \$2.2 million of the \$11 million in Dhandho stock (priced at the same terms as the February 28, 2014 investors paid, i.e., \$10/unit). In addition, Dhandho added \$30 million of capital to strengthen Stonetrust's balance sheet and help the company improve its A.M. Best rating and pursue growth opportunities.

With the closing of the Stonetrust acquisition, Dhandho has completed Fund Stage I, "The Initial Acquisition," and has entered Fund Stage II, "The Investment Period." During the Investment Period, Dhandho has the authority to make a range of short-term and long-term investments.

### **Tandem Capital**

On January 6, 2015, Dhandho Holdings made a commitment to invest up to \$10 million in Tandem Capital's Tandem III Fund.

Tandem is an unusual early stage venture capitalist that has had plenty of success in the past seven years. I have known its founding partner, Sunil Bhargava, for over 15 years and have closely followed Tandem since the time it was an idea on a napkin. So far, Tandem has called 10% of committed capital and we've sent them \$1 million.

Our investment in Tandem is a classic Dhandho bet: *Heads we win; Tails we don't lose much*. The structure of the investment coupled with the nature of their investments make it highly unlikely that we'd lose money. The upside is uncapped and unknown. Dhandho already owns stakes in a number of promising startups.

While we expect Tandem to be a profitable investment, one of the drivers in making the commitment was to force me to pay attention to the space. We have significant reconfiguration underway in our habits (for example, the way we get a ride or find a room in a city we're visiting). And Tandem is all about being a driver of habit changes. Check out Tandem at [www.tandemcap.com](http://www.tandemcap.com).

Additionally, Dhandho has begun to make select investments in public equity securities.

Over the last few months, I had a number of meetings and calls with CEOs of several property and casualty (P&C) insurance companies as well as companies in other industries for our next acquisition. These are mostly through Dhandho's outbound efforts. We aren't very interested in businesses up for sale represented by investment bankers whose incentives are quite different than ours. Our ideal acquisition is one where the owners have no desire to sell. ☺

A few businesses look interesting, but nothing is imminent. Dhandho remains opportunistic. As always, please review the Acquisition Criteria tab on our website and do not hesitate to contact me if you think of any privately-held companies that may be a good fit for Dhandho.

### **Provisional Patent Application**

On behalf of Dhandho, I recently filed a provisional patent application on an interesting and innovative idea. The limited research we have done corroborates the theory that the idea has legs. However, we need to do a lot more work before we can say so confidently. Dhandho owns the intellectual property and this would be a 100% Dhandho-owned start-up. It is another classic Dhandho bet. Well before we've spent our first million on this innovation, we will have either buried it or know we have a mega-winner on our hands. We are aggressively moving towards getting that answer at the earliest. I am unable to share any more at this time, but stay tuned. Needless to say, I'm quite excited!

### **Public Company/Exchange Listing**

With the closing of Stonetrust, we are starting to embark on the process of getting listed as a public company. We are making the necessary organizational preparations required for the process and are currently engaged in conversations with potential investment banking partners. We anticipate the entire listing process to take between 9 - 12 months. We expect to raise between \$100 - 150 million at the time of listing, about \$60 - 70 million of which will be contributed by Pabrai Funds, if pricing is reasonable.

## **San Juan Office and Team Update**

Dhandho has almost completed its move to a new office in San Juan. The office is located in the Old San Juan district. Our new office address is: Dhandho Holdings Corp, Banco Popular Building, 206 Tetuán Street, Suite 502, San Juan, PR 00902, USA. Our new office telephone number is +1787.395.7287.

Additionally, Dhandho has hired its third team member in San Juan: Julissa Morales, who will be serving as Administrative Assistant. Julissa joins Dhandho with over 11 years of experience in the logistics industry in Puerto Rico. Julissa can be reached at [jm@dhandho-holdings.com](mailto:jm@dhandho-holdings.com).

You can view Julissa's profile here: <http://dhandho-holdings.com/julissa-morales-admin-assistant/>

With our third hire, Dhandho now has a full team in San Juan. I very much like the team we have in place in San Juan. It has come together nicely in a short time.

## **Change to Quarterly Investor Statements**

Dhandho is now a true holding company versus an un-invested pool of capital. Given our new structure, it no longer makes sense for Dhandho to issue quarterly NAV figures for each limited partner. Instead, beginning with Q4 2014, Dhandho will issue its income statement and balance sheet to all investors along with each investor's share of the company; thus, there will be a single book value/unit for all investors.

Because our statements cannot be complete until Stonetrust files its statutory financials (its "Yellow Book") with the Louisiana Department of Insurance, Dhandho will not be able to issue its statements before then. While we are private, Dhandho will plan to issue statements to investors within 4 weeks of Stonetrust's filing of its Yellow Book, and within SEC guidelines when public. Stonetrust's quarterly Yellow Books are due to the Louisiana Department of Insurance 45 days after quarter-end, and its annual Yellow Book is due by March 1.

I will continue to provide a quarterly update letter with a concise summary of the most important developments at Dhandho to date.

If we take a peek at Dhandho Holdings financials as of December 30, 2014, it looks approximately like this:

Capital Raised on March 1, 2014:	\$ 148,376,376.08
Capital Raised on May 1, 2014:	\$ 4,000,495.83
Interest Income (Inception through December 30, 2014):	\$ 33,738.84
Total Capital Raised + Interest Income:	\$ 152,410,610.75
Stonetrust Transaction and Corporate Expenses: (Inception through December 30, 2014)	\$ 1,276,742.73

Book Value as of December 30, 2014:	\$ 151,133,868.02
Total Units Outstanding as of December 30, 2014:	15,218,639.572
Book Value/Unit as of December 30, 2014:	\$ 9.9308

The nearly \$1.3 million we had in expenses in 2014 include over \$800,000 in legal fees. The insurance regulator required us to perform a number of audits, which added another \$87,000 in fees. The legal fees are related to:

1. The private placement to raise the \$152 million;
2. The negotiated legal agreement to buy the various Stonetrust entities;
3. The very complex demutualization and regulatory approvals we went through in 2014;
4. Researching and filing our Act 20 application in Puerto Rico.

In 2014, we had approximately \$200,000 in payroll expenses. This number will be meaningfully higher in 2015. Plus we are in the process of adding staff to evaluate the merits of our provisional patent application.

The good news is that Dhandho is finally fully in business. It will manage the Stonetrust float and surplus (and get paid for it). It owns a few promising public equities and it has a solidly profitable insurance business, not to mention our Tandem stake and patent adventures. Thus, even with rising expenses, I fully expect per unit/share book value and intrinsic value to increase meaningfully in the years ahead.

### **2014 Annual Meeting Transcript**

The Annual Meeting transcript is posted on our website. Here is the link to the transcript:

<http://dhandho-holdings.com/2014-annual-meeting-transcript/>

The transcript is best read in conjunction with the presentation slides (the password to the video is “Warren”):

<https://vimeo.com/106862214>

P.S: Turn up the volume!

### **Presentations and Interviews**

I lectured via Skype to students at **Carroll School of Management (Boston College)** on October 9, 2014. You can watch the session on Youtube:

<https://www.youtube.com/watch?v=dnS5xWlXo1I>

**Jake Taylor hosts 5 Good Questions** and interviewed Guy Spier and me in November 2014. You can see Part II of the interview on the Dhandho Investor here:

<http://fivegoodquestions.co/season-1/s1e9>

I was interviewed by **The Economic Times, ET Now**, at the Value Investing Summit on December 30, 2014. Here is a link to the interview:

<http://bit.ly/13RYW7k>

I was interviewed live on **Bloomberg TV India** via Skype on January 15, 2015. Here are the links to Part I and Part II of the interview:

Part I: <http://tinyurl.com/ojwyy4l>

Part II: <http://tinyurl.com/q35d599>

### **Barrons Online Article**

Barrons Online published an article, “Buffet Disciple Mohnish Pabrai on Bank of America, Citi, Google, and Hyundai” on December 9, 2014. Here is a link to the article:

<http://dhandho-holdings.com/barrons-online-article-december-9-2014/>

### **2015 Annual Meetings – Save the Date**

As is our usual modus operandi, there will be two annual meetings sequentially at Orange County, California & Chicago, Illinois.

The **California** meeting is scheduled to be on **Saturday, September 12, 2015** 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 19, 2015** 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

The invites will go out in July 2015. Your significant other and kids of all ages are welcome to attend. I look forward to seeing you in September. In 2016 and beyond, we intend to hold Dhandho's annual meeting near its headquarters in San Juan, Puerto Rico.

Thanks for your continued interest, and support for Dhandho. Feel free to call me at +1949.453.0609 or email me at [mp@dhandho-holdings.com](mailto:mp@dhandho-holdings.com) with any queries or comments.

Warmly,



Mohnish Pabrai