2025 Pabrai / Dhandho Funds In-Person & Virtual Annual Meeting on March 29, 2025 & April 5, 2025

Note: This is the transcript of the meetings held in Austin, Texas on March 29, 2025, and a virtual meeting on April 5, 2025. 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): 2025 Annual Meeting Presentation

Mohnish: Welcome to the Pabrai and Dhandho 2025 Annual Meeting. It is great to have everyone here. We have a pretty standard format like we have had in previous years. We are going to start with a four-and-a-half-minute propaganda video of one of our portfolio holdings, TAV Airports.

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We will talk about TAV a little more later in terms of the nature of the business and such. But first, I am going to talk about Pabrai Investment Funds then Dhandho Holdings, Dhandho Funds, and finally what I enjoy the most, which is the Q&A session.

Slide 7:

I am going to go over the performance of the three funds. PIF2 is the oldest fund. It started in 1999. It is in its 27th year. We have had a good record with PIF2 from the beginning. Currently, if you are looking at it, the 10, 15, and 20-year numbers are behind the index. The other numbers are ahead. In the next few years, I believe it will probably flip and we will most likely be ahead of the indices for all the periods.

Slide 8:

Similarly, PIF3 which is our offshore fund and also our fund for IRAs, endowments, and foundations, is about 23 years old. Also, it is ahead of most of the indices over that period.

Slides 9-11:

PIF4 is the one that is lagging. It is about 22 years old. PIF4 was doing very well until 2018. If you look at the numbers until 2018, we were ahead of all the indices at that point, and we have underperformed the indices since then. That is mainly because we have had large declines in two winner holdings, Rain Industries and Fiat Chrysler. PIF2 and PIF3 also had losers, but their Reysas positions were significant and more than made up for the losses. I would also say that PIF2 and PIF3 have performed better largely because they are also the most concentrated funds. And concentration cuts both ways. PIF4 actually has the most balanced allocation out of all the three funds currently. I am bullish on PIF4. I am bullish on all the funds, but I believe that even PIF4 will have a good run in the next 5 or 10 years.

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I am not a big prognosticator on macro or kind of what markets are going to do, but just sometimes markets give you signals that are quite obvious.

In September 2000, the S&P 500 was trading at a pretty frothy PE of 26, which was significantly above its historic norms. For the next 11 years, the returns were zero inclusive of all dividends. It was not a fun ride, even though the underlying portfolio companies had done better. The index got down to more reasonable multiples. If you look at the S&P trailing PE at the end of 2024, it was 29 versus the long-term average of 16. Not only was the Mag 7 trading at an elevated multiple, but even the other 493 were trading above their historic average. Generally speaking, markets tend to overshoot or undershoot. It is easy in auction-driven markets to get to either end. The best that I can tell is that the S&P 500 is not likely to be a great place to be, at least for the next 5 or 10 years. I believe it will not deliver more than 3% to 5% a year. When we look at the trailing PE of Pabrai Funds, we are at a PE of 10 for PIF2 and PIF4 and a PE of 15 in PIF3. PIF3's 15 PE actually is overstated because Reysas is going through such incredible increases in its earnings in 2025 and 2026. PIF3 will end up with a single-digit PE at the end of all that at current valuations.

Pabrai Funds has got many tailwinds relative to the S&P 500. The Mag 7 are exceptional businesses and they may be exceptional businesses for a while. They may have pretty strong growth for a while, or some of them may falter. It is hard to say what will happen there. Some of the franchises are dominant and doing very well. Others have some chinks in the armor. So, it remains to be seen how they will perform as a group. Personally, I would prefer to be invested in the names held by Pabrai Funds.

Slides 14-15:

Pabrai Funds' AUM has increased to about $1 billion. As a result, the expenses for all three funds are now the lowest they have ever been as a percentage of AUM; just three to four basis points, which is among the lowest in the entire mutual fund and hedge fund industry. There is almost nothing that has recurring expenses that are this low. The only thing that gets charged to investors in terms of these recurring expenses is direct third-party expenses for audit, accounting, tax. For example, the Pabrai office team, our overhead, etc., none of those are charged to the funds. If we had a more traditional 2/20 structure, I would be getting $20 million a year for breathing. That would be an unfair situation for you guys. I like the structure we have, even though it leads to a kind of feast or famine situation on my end, but I am okay with it. We have to deliver 6% a year to you from the previous high watermark for me to get paid. I had a big payday in 2007, and then the funds had a big drawdown in 2008 and 2009 with the financial crisis. The next big payday came in 2017-2018 (it was $70 plus million at that time). Then we again had a drought for five or six years, and 2024 was another payday of about $15 million in PIF3.

When we average it out, it works out just fine. It is a fair arrangement. We have no leverage. We have no margin loans. We have no short positions. It is a pretty vanilla long-only fund. We have a stable group of 320 families that have been with us. Many of you have been with us for quite a while, a decade or two.

Slides 16-23:

I will now go through some of the existing positions. This is not to give you stock tips, but it is really from the vantage point that you are owners of this fund, and we have some positions that make up a very large portion of the pie. You should have a good idea of what these companies are, what percentage they make up, and so on.

Reysas is our biggest position. It is based in Turkiye and makes up about 45% of the assets of the fund. As of the end of the year, we were up over 18x on average on the amount we invested. We own a third of the business with the current likely liquidation value of over $1.5 billion. I believe the liquidation value will keep going up for a few years.

It would not surprise me in the next five years or so if the business is worth maybe $3 to $5 billion. If we take a third of that, our stake would be $1 to $1.7 billion. We have never invested more than 10% of assets in any company ever in 26 years. But because it has gone up so much and because there were different amounts that went in from the different funds, at the end of 2024, it made up 64% of PIF3's AUM, 45% of PIF2's assets, and 13% of PIF4.

One of the things I pointed out to all of you in a recent letter to shareholders is that I have no plans to lighten up the position because it is a high portion of the portfolio. What I had suggested as a better way to get to some reasonable equilibrium is that if you were an investor in PIF3 and PIF3 made up more than 20% of your net worth, then if I were you, I would consider reducing my exposure to PIF3 so that it was no more than 20% of my net worth. If you are an investor in PIF2 and PIF2 made up more than 1/3 of your net worth, then again, I would look at trimming it to bring it down to somewhere around 1/3. The reason I am stating the 20% and 33% is that if you consider Reysas being 60% of PIF3, and let us say your net worth was $10 million, then $2 million was in PIF3, for example. When we look at the $2 million, it would come to, from a look-through basis, about $1.2 million in Reysas. If you look at your $10 million and 12% of that is in this business, that is okay. It is like building wealth that you are going to get somewhat concentrated. There is no way to really get wealthy without being concentrated. Having 12% of your assets in Reysas and 88% elsewhere, and 20% in PIF3 and 80% elsewhere, is a pretty reasonable place to end up. The same thing with PIF2 because Reysas is 40-odd percent and 1/3 position in PIF2 will come down to about 14% of your assets being in Reysas.

Reysas is a high-quality business run by good people. My suggestion is that you can cut because I am not going to cut just because of valuation, and some of you did cut at the last redemption, which is good. If you have not done that, and we are above these numbers, or if you think you should be below these numbers, you can always redeem. We have redemptions every year that can bring you into balance as you would like.

I would like to go through a little bit about Reysas to explain why we believe it is such a great business and why we believe it is very likely that they are going to continue increasing the intrinsic value of the business. It is run by a father and son. The father is the founder, and the son came in very shortly after. The business was extremely tiny approximately 20 years ago when the son entered the business, so he is effectively a founder too. I am going to go through some deals they have done in recent years. Reysas does not have an investor deck. They do not really share a whole lot. Some of this is just our assumptions and some of it is data that is disclosed in public filings, so we are kind of blending it all.

Their headquarters are in a nice residential villa. It is a very nice, peaceful place to work. They have grown over the years. In 2021, the villa right behind them, which they share a common wall with, came up for sale. The owners were leaving Turkiye and they were interested in a quick sale. Reysas was the only buyer that approached them with an all-cash deal, no contingencies, one-week close. They offered a price that was well below market, and the owners took it. Reysas bought the villa for about $2.4 million. They have since expanded their offices into most of it. The villa was valued at about $8.3 million in 2023 (more than 3-3.5 times what they paid), and it could be even higher today.

Another deal is the Mercedes warehouse they constructed. They bought land in Gebze, which is an industrial area of Istanbul, for approximately $8 million to construct a 550,000 square foot warehouse. Most of this was pre-leased to Mercedes. The deal was done before they broke ground. We are assuming that the construction cost may have been around $22 million, just looking at what the average construction costs in Istanbul are for this type of structure. Mercedes and Honda occupy this warehouse and they are collecting about $6.3 million in rent that goes up every year. Turkiye has taken a very US Federal Reserve approach in the last few years to bring down the rate of inflation. They have a new finance minister who came in a couple of years ago, and he has taken a sledgehammer to inflation. He took the interest rates all the way up to 50% from about 10%, and he recently started bringing it down. Now the interest rates are around 45%. With this kind of high interest rate environment that Turkiye is in currently, Reysas is not borrowing money. They really do not want to be caught in a situation where they have borrowed at a high rate and subsequently, rates come down. They have taken the approach of being very selective on their deals because they do not want to do deals where the equity returns are below 20 or 30%. For example, in the case of the Mercedes warehouse without taking any debt they have a north of 20% return equity. I would challenge any US publicly traded REIT to produce those types of equity returns without debt. I would not be able to do it. It is really tremendous.

Then about a year ago in March 2024, Reysas bought a factory from Tata Steel. Tata Steel is one of the largest conglomerates in India. They had a large steel fabrication factory in an area near the greater Istanbul region. Reysas used their traditional playbook. All the other bidders for the property were giving Tata offers that were contingent on financing and also contingent on finding a tenant. Reysas approached Tata and figured the factory was probably worth around $10 million. They did the deal with Tata for $5.4 million, all cash, no contingencies, one week close, and Tata took the deal. They just did not want to mess with it. It is not a big issue for Tata, which is a huge conglomerate. This was a spec purchase by Reysas because they have the scale now; they can do some deals where they do not need to have the tenant in place and so on. They put up $5.4 million on spec. Then they put up another $5 million to refurbish the building into

160,000 square foot warehouse. Before they had gotten much into the construction and such, it had already been leased for about two and a half million a year. It is about a 24% return on equity with zero debt. This is another good home run for them.

Then more recently, just a couple of months ago, they acquired a land parcel in Istanbul. This land parcel was adjoining a smaller piece of land they already owned. They combined the two to again construct a large warehouse on spec. They are willing to put $5 to $10 million at a time into some speculative stuff. But by this time, the Tata one had already been de-risked. Reysas spent about $2 million on the land. We are estimating the construction may have cost about $11 million. We also estimate the rental income maybe $2.8 million or higher. Again, it is at least a 21% return on equity and higher because it will keep going up with inflation. Turkiye has some very unusual laws as far as commercial leases and even residential leases go for that matter.

It is important for you guys to understand that there is a big step function coming in Reysas cash flows in this year, 2025, and 2026. The law states that commercial leases in Turkiye can be renegotiated in terms of what the rent paid is after five years, and they can be terminated after 10 years. When Reysas typically signs a lease (like the lease with Mercedes), they will sign a one-year lease with the tenant. It is signed with escalators every year based on the official rate of inflation, which is usually understated. By the time you get to year five, typically the rent that is being paid by the tenant is significantly below market because each year they fall behind versus the rate of inflation. In the fifth year, the law says there can be a market test and the landlord and tenant can kind of renegotiate terms, but because Reysas does not have at that point the lever to evict the tenant, those negotiations tend to again, favor the tenant. The tenant may or may not be willing to budge too much on the rent. After the 10th year, it is a very simple process for the landlord to evict the tenant. What happens after the 10th year is that Reysas will call the tenant, and the call usually lasts for less than 10 minutes, where Reysas will propose a new rent based on the market. The tenant might want to nag a little bit but does not have much room because they are going to get evicted since Reysas has no incentive really to extend it. Usually in the 10th year, the lease gets extended, it gets to market rent, and the cycle starts again. Now, one of the things to keep in mind is what is happening in Turkiye as far as the real rate of inflation goes. I may or may not be right on it, but the way I look at it is that I approximate the real rate of inflation to be what the exchange rate is doing. The delta in the exchange rate from the beginning of the year to the end of the year, tells me how much above the US rate of inflation, Turkiye’s rate of inflation is. What has been happening in Turkiye in the last two years, because we have got this dream finance minister is that if you look at 2024 and you look at this whole exchange rate situation, how it changed from the beginning of the year to the end of the year, the inflation rate in Turkiye in 2024 was approximately 20% more than the US rate of inflation.

If you think of US inflation at let us say 3-4%, Turkiye's real inflation rate was like 23-24%, which is the lowest it has been in a long time. My guess is that he has tightened monetary policy so much that in 2025 it may fall further into the teens. He is already starting to bring down interest rates now. We may end up long-term with a Turkish inflation rate above the US of around maybe 10% or 12%, which would be spectacular. Turkiye has not had that type of situation in a long time. I would venture to guess that if and when the Turkish inflation rate above the US is in the 10% to 12% range, there will be a significant amount of investor capital coming into Turkiye in a big way. The way it exited, it would come back because it would be a spectacular place to be. But anyway, getting back to the rent situation, Reysas had a huge footprint increase in their warehouses. They built out a lot of warehouses in the 2014 to 2016 timeframe. For these warehouses, for the most part, the first five-year renegotiation came up in the middle of COVID, when things were weak. On the one hand, they do not have a great hand to play at five years on top of that, COVID going on. There was not much they were able to get at that point. In terms of increased rents, most of this 40% footprint is hitting its 10-year mark in 2024, 2025, and 2026. The rent increases we have started seeing, starting last year, have been spectacular: 100%, 200%, 300% type rent increases.

For example, in July 2024, there was a warehouse that got re-leased and the new rent was $17 a square foot up from $7.60 a square foot. In May 2024, another warehouse for 190,000 square feet was re-leased. That went from $3.60 a square foot to $12.30 a square foot (nearly a 4x increase in rent).

This is a picture of the young-looking father Durmus Doven. He was on Bloomberg Television in Turkiye on December 24, 2024. One of the things he mentioned in this interview is that 2025 earnings would be double 2024 earnings. Anytime a company says they are going to have a 100% increase in earnings, you have to do a double take on that. The reason it is going up is they have some new properties that are being built and that are coming on stream, and a lot of the footprint is getting renegotiated in 2024, and 2025. They also have these apartments that they have had under construction, which are probably going to get rented out. Those rents will come in as well. I have been telling Reysas since the time I first met them that even though they are extremely good capital allocators, the very best way to use the capital is to buy back their shares. But most management teams have a difficult time getting their hands around buybacks. In the last several years, the founders of Reysas have bought a lot of shares for their personal account. They have done deals where they have bought these shares for themselves, but they have not bought back for the company. I was really surprised to see that in March 2025, there were disclosures that both Reysas Logistics and Reysas REIT had bought more than a million shares each of Reysas REIT in the open market. My reading of the father and son who run this is when they go into an area and they figure out something and they get some insight, they tend to go all in. They may have realized finally that buybacks are a good thing. They were buying back at around a billion-dollar market cap and I was telling them to buy back when it was a hundred million or less market cap but better late than never. It is wonderful to see that.

Slides 24-25:

Let us go over TAV Airports now. One thing to understand about the airport business is that more than 95% of airports around the world are government-owned and government-run. That is typically how airports are operated. In the United States, we had zero private airports, and that changed recently when LaGuardia went through a tender process and did a BOT (Build-Operate-Transfer). There is a private consortium now that runs LaGuardia Airport and that private consortium put up several billion dollars in capital improvements at LaGuardia. LaGuardia used to be the armpit of New York. It is beautiful today. It is really an awesome airport. US airports are pretty well run, but generally speaking, if you are going to put the airport in the hands of a world-class private operator who is running airports, you are going to get a better outcome because capitalism is going to work better than some government bureaucrats and so on. TAV Airports is very unusual, even among the very few listed private airport operators. Most airports that are given by a government to a private company to run are done under the Build-Operate-Transfer scheme. The government will say, "We will give you the right to run this airport for 20 or 30 years, and we will let you collect X in passenger fees and whatever else. Against that, you are going to put up X million or billion dollars in Capex to build out great infrastructure and you will collect for the next 20 or 30 years all these fees, which will hopefully make you a decent return on investment." That is typically how a BOT airport deal works.

One of the big risks with TAV and other private airport operators is that whenever these airports come up when the tenders are announced and come up for auction, usually there is a bit of a bidding frenzy because these are very rare assets that do not come up for these type of deals very often. In many cases, you can end up paying a price that is significantly above where the economics would work. TAV had a few of those. They invested in an airport and made projections of what passenger traffic will be in the future and this and that, and that did not come to pass. The risk that always remains with all airports, including TAV's airports, is that they will do some dumb deal, or they will do multiple dumb deals, and that would make the economics not so great. On the other hand, every once in a while you can get some major home run. The Almaty Airport in Kazakhstan was an outright purchase. This was not a BOT. There are very few airports around the world, which have been given outright by the government to a private entity. Heathrow in London is not a BOT contract that has permanently been given to the operator. As I had mentioned, only 3 to 5% of airports around the world are private. It might be 3 to 5% of that number that are private with complete ownership, like Almaty. The Almaty Airport deal, which happened in 2021 in the middle of COVID, Harvard Business School did a case study on them. In fact, Harvard Business School has done two case studies on TAV. They are both worth reading. You can go on the Harvard HBS publishing website and buy these two case studies for less than $12 each. The price is right.

Anyway, the case study on the Almaty Airport purchase was whether or not TAV would do the deal. TAV had agreed to buy the Almaty Airport before COVID, but the deal had not closed. The deal was closing after COVID hit. At that point, TAV could have declared force majeure and walked away because passenger traffic had dropped to zero. Clearly, there was a highly distressing event that had taken place, and they were well within their rights to walk away. They looked at the situation carefully and decided not to walk away, but rather to renegotiate the deal. They were in the driver's seat because not too many entities were interested in the

Almaty Airport when you have zero traffic and all the COVID uncertainties and all of that. They were able to negotiate a lower purchase price. The seller negotiated some additional money if these passenger volumes in the next few years hit certain thresholds. All the passenger volumes went way beyond that, so they paid out the maximum on all of that, but it was still a phenomenal deal. There was $120 million of equity invested in the Almaty Airport. The rest of it, approximately $280 million or so, was financed at 5% for 25 years fixed. After that TAV agreed to build a new international terminal for about $250 million. Most of that was also financed at 5% fixed for a long time. The passenger volumes are growing spectacularly at the Almaty Airport. They increased at a CAGR of 40% between 2021 and 2025. The EBITDA has gone from $43 million to a likely $125 million this year. It is well above the EBITDA of $70 million pre-COVID, because now they have a new terminal, and they are planning some more Capex which would increase their passenger fees and all of that. EBITDA at the Almaty Airport could hit $200 million in the next two or three years. The debt is not that much, so the interest payments are not that high.

If Almaty is producing, for example, something like $150 million a year in cash flow growing at 10 to 15% a year, because they have got operating leverage, as you get more passengers going through, your incremental profit would increase. If this airport were to be put on the market by TAV in 2027 or beyond, which they would never do, they would collect several billion dollars. The going price would be north of $3-$4 billion for the airport. It might be something like 10 times what they had paid for. But they are going to keep that business.

We only have two investments in Turkiye. We have Reysas Logistics, and we have TAV. TAV is the most disconnected from the currency because almost all their contracted revenues, even within Turkiye, are in Euros across most of their footprint, so they are generally a beneficiary of the high inflation. But one of the things about comparing TAV and Reysas is that even though we will never make the multiples of money in TAV that we made and continue to make in Reysas, we were able to put a lot more capital into TAV. We were able to put a hundred million into TAV. At the end of the day, it is possible that in terms of absolute dollars, we may end up making more absolute dollars from TAV maybe even more than Reysas. We like that business a lot. It is a very good management team. There are at least four people there who could run the company. It is a very high-quality culture. They have made some mistakes in the past, which have given them a lot of lessons. It would surprise me if animal spirits got unleashed and they did some crazy deal again. They are bidding on some tenders right now. There is a bid for a Kuwait tender to manage that airport. It is already built. There is another one in Montenegro that they are looking at. They are also in conversations with the Egyptian government on Cairo and other airports in Egypt. There is some interest in other airports in Kazakhstan as well. These are things I know about. There are probably a lot more things that are going on under the covers that we have no idea about. There are a lot of growth prospects for TAV organically, and there are also growth prospects for them if they get some of the deals done at a good valuation.

Slide 26:

We also have a large bet on metallurgical coal businesses based here in the US. Metallurgical coal is required to make iron and steel. There are two ways that you can produce steel. One is by taking iron ore with met coal in a blast furnace and producing steel. The second is taking recycled steel, putting it into an electric arc furnace without any met coal, and producing steel. Recycled steel has improved over the last few decades, but it is still inferior in quality to steel produced from iron ore. For example, if Ford was making a car, the steel going into the car body would be coming out of a blast furnace just because they are tight on the spec on that and so on. The other thing about recycled scrap steel is that emerging economies, like India or China, do not have enough scrap being produced to produce the steel required. In India, for example, it has a very low base of cars and a very low base of buildings. There are not a lot of demolitions and all that, so scrap production is relatively low. Also when you produce scrap, you need some kind of critical mass to actually have EAF operations run efficiently. The United States, for example, produces a lot of scrap. It has infrastructure that makes a collection of that scrap very efficient. A lot of the scrap, for example, that is produced on the West Coast ends up being put on ships and goes to China to be made into steel. Europe, for example, is an advanced economy. It also produces a lot of scrap, but it does not have the efficiency of gathering it up and getting it to EAF producers. Europe is not as advanced in scrap collection. Scrap collection generally is a little bit more complicated because you have to have critical mass and so on.

The reason we like these bets is that a lot of these processes (like the process to produce iron and steel, the process to produce nitrogen fertilizer, etc.) are 50 to 100-year-old processes. They are hard to change because humans have come up with these things after a lot of trial and error. Also, the volume and scale are so high that it is kind of difficult. There are brand new blast furnaces being built as I speak in India, and there will be brand new blast furnaces being built in India and other places even five or 10 years from now. These brand new blast furnaces make no sense to be built if they are not going to be run for 40 or 50 years. A blast furnace is like a mini city. The companies that are putting in this infrastructure, are doing that because they have confidence that that furnace is going to be run for four or five decades.

When we look at a business like Alpha or Warrior, their reserves go out several decades. It is a pretty safe bet. In the case of Warrior, it will run flat out till there are no reserves left. They will use everything up. Maybe everything will get used up by 2050 or something or maybe a little longer. Alpha might be running into the 2060s, 2070s, and even the 2080s with their reserves. I have not looked at the market cap recently, but it might be a little under $2 billion now.

Cash flows will gyrate. If you take a 25-year view, there may be some years Warrior does not get to zero. They are very low on the cost curve. There may be some years that a company like Warrior might produce $100-300 million in cash flow. But other years when it produces $1 billion or $2 billion in cash flow, or even more than that. If you are paying $2-3 billion for a business where you take a 25-year view on cash flows, and it is on some kind of curve where sometimes it is $200-$300 million, sometimes it is $500 million, sometimes it is $1 -2 billion, and then you discount it back to today, the bet becomes a no brainer. That is why I bet on the coal businesses.

Met coal is very different from thermal coal. It occurs in very few places in the Earth's crust, and it must have very specific properties in terms of the usefulness to be burned in a blast furnace, etc. The US has a good supply in Appalachia. There is a good supply in Canada. Australia has a huge amount, and then you have some in China, Mongolia, and Russia, and that gets to most of the world's supply of met coal. It is not found in too many places. The logistics of moving coal and all of that is not easy.

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We have made a few undisclosed US bets that I am not ready to talk about yet. We are still buying some and they are over a hundred million in current value. They will show up in our 13 F which will be filed in the middle of May. You will get some view of that then. They will also show up in the audit reports. PIF2 will have an audit report coming out when its fiscal year ends in June; that may be out in August or September, so that will also give you a view. Then the other two funds will show up in the 2025 audit reports.

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If you look at PIF2, Reysas is about 43%. TAV is about 20%. These new undisclosed US bets are about 18%. Met coal is 16% and India is about 2%. It is a pretty small number. PIF3, Reysas is about 59%. TAV is 21, met coal is 16, and then the rest does not really matter much. PIF4 is the most balanced. TAV is 28%, met coal is 21%, the undisclosed bets are 20%, and then India is 16% and Reysas is 16%. That is kind of how we are allocated currently at the end of Q1.

Slides 29-31:

We used to have a third bet in Turkiye, Anadolu Efes and Coca-Cola Icecek, but we exited that bet towards the end of last year and the beginning of this year. We had invested about $134 million. Total proceeds, including dividends, were about $169 million, so we had some gain. The reason we exited, even though we liked these businesses, is that Coca-Cola Icecek is a dominant bottler in Turkiye and five or six other countries. Efes, which is in the beer business, owns 50% of Coke. It was very cheap. Instead of buying just CCI directly, we also bought it through Efes because that way, we got a beer business and the Coke business.

The biggest segment Efes has is their Russia business, which is a joint venture with AB InBev. AB InBev is exiting that in Russia like a lot of the other American companies because of the Ukraine situation. They agreed to sell that business to Efes. Historically, Russia has a good relationship with Turkiye, but that relationship has had its ups and downs. More recently, Russia got somewhat miffed with the way Turkiye was siding with Ukraine. So the Russian government nationalized the Russian beer business. They took control of the joint venture, which was quite a stunning move. I do not know when that would reverse. I assume it will reverse when this whole Ukraine settlement takes place. From our point of view, the situation was that we still had a gain in Efes and Coke and we did not know what would happen there. I said, “Okay, we will take our chips off the table.” We had invested $135 million, we got $169 million or something out, and we moved on. We still love the CCI business a lot, and the management team is excellent, but we decided to just take the cash and be a little bit more conservative with how we were going to go with it.

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If you look at our performance through the first quarter, which will come out in the letter in about 10 days or so, all three funds are down approximately 25%. The S&P 500 is down about 4%. Our drop is mainly because our coal names are facing low prices and very low cash flows and such. They are down and Turkiye is down, so pretty much everything in the portfolio is down. But if I look at intrinsic value at the end of the first quarter, I would estimate the intrinsic value of Pabrai Funds is higher at the end of Q1 than it was in December 31st. I am very bullish on the funds, and I believe the drawdown helped us add to some positions that we wanted to at better prices. Even Reysas, for example, is down 28% year to date, even though they have massive increases in cash flow coming. Another thing to just keep in mind is the more recent Trump tariffs which were announced after Q1. The Turkiye names actually went up after the tariffs were announced. The met coal had some drawdown, but overall, the portfolio did not change much, which is quite different from what is happening in the S&P 500, Dow, and Nasdaq.

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I will go quickly over Dhandho Holdings now. We had raised about $152 million. It was a mistake, so we decided to put the toothpaste back in the tube as much as we could. We have returned about 80% of the capital. Anytime I make a mistake and I get 80% of my capital back. I am really happy. Even the other 20% probably will come back to investors. Half of it is sitting in a public portfolio, and the other half is sitting in a set of private venture investments. May Mobility is one of them that may have an IPO this year or next year. They are in the self-driving space so that IPO could get kind of euphoric. We hope it gets euphoric. That might get some interesting valuations there. Outdoorsy is a very profitable business that is the Airbnb of RVs; they may see some liquidity. We will see what happens there. As we have gotten liquidity on the venture fund and in our stock portfolio, we have been returning capital and we will keep doing that.

What we have also done in Dhandho Holdings is incubate a new business, which is a mutual fund called the Pabrai Wagons Fund. You as Dhandho Holdings shareholders are the owners of the advisor to the Wagons Fund, Dhandho Funds. The mutual fund has done quite well from an AUM point of view. Our AUM has gone up from $1 million about 18 months ago to nearly $60 million. It has been growing nicely. I believe the Wagons Fund will do reasonably well over the years. I am very bullish on it. You can see the way our assets have gone up so far. But if we get scale at about $150 million, the business will break even with all internal and external costs covered. If we get to about $1 billion in assets here, we are probably making $5 to $7 million in profits, which would be healthy. Then that would mean the business has some decent value. If I were you, I would not sell any Dhandho units because we have some kind of moonshot with the new business. The other stuff is pretty benign. We do have a mechanism to allow exits. Sometimes other investors or members of the Dhandho team are interested in buying the exiting stakes. That has worked out well.

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I truly believe we have the best team we have ever had at Pabrai Investment Funds and Dhandho Holdings. It is just a joy and pleasure to work with them. We also have four ladies who are in India. They work varying hours but are really well qualified. Some of them are chartered accountants (CPAs), who have had a lot of experience in the fund industry and with firms like KPMG and Morgan Stanley. It is a joy to work with all of them.

Slide 40:

We have several different custodial relationships because we trade around the world. We have accountants, auditors, different legal counsels, different places, banking relationships, and brokerage relationships. We have a good set of people we work with and we are very happy with them.

That is all from my side. We will open up for questions now.

Question: Mohnish, thanks for all this. I am Jefferson from San Francisco. Thank you for a couple of decades of good money management and leadership. I recall 25 years ago you said that you never wanted to meet with management. They were all salespeople. It would cloud your judgment if you met with a CEO. What has changed and why?

Mohnish: That statement is still true, and I feel that the risk is still there. Our judgment can be swayed, but I have also found that in hindsight the positive we are generally able to get from the interactions outweigh the negative. In hindsight, we would have done better in many cases if I had been more open. We try to meet the CEOs and the senior team. But what we really love are the field trips. A number of our visits are with second-tier, third-tier, nerdy employees. We get the opportunity to learn the business from the head of mining or someone like that and those have been helpful.

In some cases, when I look back at some investments that did not work so well, it was a charismatic leader that I got misled by. I can see there were some cases where the interactions hurt us. It is generally always better to look at the historical record of a business. The historical record is a better benchmark than to go into what management is projecting because that is a sales guy talking. But in many of the bets that we are making, we would have had a much more difficult time if we were not engaging with the companies. For example, our coal bets are now almost two years old, and we have had multiple visits and multiple calls with a number of these companies. Our perspective has shifted so much in terms of what we thought was the best bet or the second-best bet. That shifted over time because our understanding got better. We would do far worse if we had not had all those field trips and interactions. We would not gain much of an edge if we were making an investment in Microsoft. We would not have much ability to interact at the highest levels with their management. For some investments, whether you meet management or not, that is not going to make much difference because there is enough in the public domain. But in areas that we are trying to get industry knowledge and we are trying to go far out into the future 5 years, 10 years, and trying to understand industry dynamics, some of these people we meet with on our field trips are truly the best in the world in terms of the subject. They have been great teachers. Overall, I would say in the past I was probably more wrong than right.

Question: Hello. This is Arvin Singh from Miami. I have two questions. The first is that I know one thing you were very specific about in the early years was diversification. Now it sounds like we are going into very heavily concentrated bets, which is probably why the funds have done very well, but also the reason why it hasn't done so well in other years. The second question, which is really the topic of the day, what are your thoughts about investing in AI?

Mohnish: The approach to investing and concentration has not changed. When we started 26 years ago, the maximum we would put into a single bet was 10% of assets. Even today, that is the same. In 26 years, there has been no change in that. What has changed is that I was too fixated on what I thought the intrinsic value of the companies was. In fact, usually, I was wrong in what I thought the intrinsic value was. The reality is that great businesses will surprise you with much better returns. Intrinsic value will in many cases end up being a lot higher than you think it is going to be. To give you the most glaring example we had is when we invested $70 million into Fiat Chrysler in 2012. When we exited, we got about $260 million. It was almost a 4x which one would think is a good return. What I had not paid a lot of attention to in Fiat Chrysler was that a small part of Fiat Chrysler was Ferrari; 90% of Ferrari was inside Fiat Chrysler, and Ferrari at that time was producing approximately $200 million a year in cash flow in 2012/2013. In my way of thinking about it, which was completely wrong, I said, "Okay, so it is worth, let us say $4 billion, 20 times, or $5 billion - 25 times." The entire Fiat Chrysler market cap was about $5 billion. There were possibilities that Fiat Chrysler would produce $5 billion a single year in cash flow, which they did. That is exactly what ended up happening. So in my thinking, I said, "Okay, Ferrari is there, it is fine, it is $4 or $5 billion, whatever, but the mothership is Jeep and Ram, which is producing, $4 or $5 billion (Jeep, Ram, and the minivan franchise). Later they took Ferrari public and it looked very expensive at the IPO. I eventually sold out, we got a hundred million from selling Ferrari. If we had not sold Ferrari, it would be $640 million now and counting. If you think about that bet, the $70 million bet, we got $260 million, out of that $160 came from Fiat Chrysler, and a hundred million came from Ferrari. If we exited the Fiat Chrysler but kept the Ferrari that would be approaching a billion dollars. The big lesson that I learned from that, and also studying these things for all these years, is that it is usually a mistake to sell a great business purely on valuation. We have three levels. A business is fairly priced, a business is overpriced, and a business is egregiously overpriced. It is very clear Ferrari is a great business. There is no question about that. They sell 13,000 cars a year and they have a north of a hundred billion market cap. It is just an incredible business and there was no question about that. The question that comes up is maybe whether it was maybe fairly priced, maybe it was overpriced, and it was possibly in my thinking, egregiously overpriced. If I were to redo that whole decision today what I would have done with Ferrari is nothing. I would have said that it is not egregious. Ferrari is trading at around 40 times trailing earnings. The interesting thing is that I sold the stock in 2018 and I thought, “We have this Ferrari position. I should get to know the product better. I should get a Ferrari.” I did my research and there was a long waiting list to get one. I knew John Elkan, who was the chairman of the Fiat Chrysler group and chairman of Ferrari. I said, “John, I want to get a Ferrari, can you help me?” He said, “Mohnish, I can help you with delivery, but I cannot help you with price.” He gets approached by a gazillion people asking him, and Ferrari does not discount for anyone. Ferrari does not produce a single car, which has not already been sold. They are very different from any other car manufacturer. No car gets produced that has not already been sold. He put me in touch with the head of Ferrari, North America, who put me in touch with the Ferrari Newport dealer, and they said, “Come into the studio, configure the car you want, and we are going to put you right at the head of the queue. In about five months from now, you will get your car.” That would have been normally two or three years. I went through that process and that is really when I started to figure out the moat. I really got a big education on the moat when I got delivery of the car. When I went into to place the order and configure the car (I was buying a 488 Spider), I asked the sales guy, “How much is it?” He said that he had no idea how much the car was. I said, “I am buying the car, I need to know how much it is.” He said, “I will have an idea about 10 days before delivery and I will let you know. I will give you the precise number on the day you come to pick it up.” I said, “How much do you want down?” He said, “We do not need anything down. You're good.” He calls me after four months and says, “Hey, your car is coming. It is going to be $375,000. But I want to let you know something. If you do not take the car, I will write you a check for a $100,000.” I said, “Why?” He said, “That is the arbitrage. I have customers who want the car, and they will not get it for three years.” When he is giving me a hundred thousand without any negotiations of any kind, he has a significant margin on that. I said no thank you. When I went to pick up the car and I was talking to the sales guy, he said, “The competitors say we do zero to 60 and this and that. I win before I turn the engine on. I do not need to turn the engine on to win.” In 2019, I became single. That year is when I really got the education of the moat of Ferrari. I am single with a Ferrari in the garage.

Question: Do you think getting the Ferrari itself is the cause?

Mohnish: I do not think they were related, but maybe the ex might have a different view on that, so we will see. When I go out on dates, and I go in the Ferrari to pick them up for dinner, I see perfectly normal women lose their minds after dinner in the car. That is when I got to know what the moat is. Quite frankly, there is no other brand of luxury automobile (McLaren, Aston Martin, or any of those other names) that is in the same ecosystem.

Coming back to the discussion about concentration, a very natural outcome of taking this approach of holding onto your winners is going to be that you are going to get concentrated. If I make a 10% bet and something goes up 20 times, it is going to become 80, 90% of the portfolio. You cannot avoid that. That is what is going to happen. Reysas was such a tiny bet. We made about a $10 million bet. It has become a very large portion of the portfolio. The only answer I can give now is if it is my own money, it is okay. We might have three or four positions, and we are okay. This is what I told all of you: if you have too much with me, you can cut it. That way you can get your position in balance. Concentration cuts two ways. But Nick Sleep, who is a great investor in the UK, says the greatest investors are not investors at all. They are entrepreneurs who never sold. If you think about it, many of you are entrepreneurs. If you started a business and you had success in that business, you are going to at some point have 97% of your net worth tied up in the business, and you sleep well at night. It is really a mindset shift. Reysas is the easy one to talk about. When I meet the founders of Reysas, I tell them, "Look, we have a family business. My family and your family own this business. I know you did not have me as your founding partner, but this is where we are. For good or bad, we are joined at the hip."

I believe that regarding Reysas, the way they think about it is that they are the entrepreneur: 90, 95% of their net worth is sitting in that business. It is not liquid in the sense that if they tried to sell it, they cannot; the volumes are not there. The liquidity event will come with Reysas with a sale of the entire business. The father is in his mid-sixties. I am not sure we want to hold the business if both of them are not together because there is a yin-yang going on with them, which works really well. We do not know whether the ride will go on for 5 or 10 years, but it could go on for 5 years. At some point, there will be a liquidity event and then we will be done and we will not have the family business anymore.

If you think about a business like Walmart, for example, which went public in 1970, at that time the Walton family owned around mid-forties percent of the business. Now, Sam Walton has been dead for 33 years, and Walmart has been public for 55 years. The current ownership of the Walton family in Walmart is 46% after 55 years; 55 years after the IPO, and 33 years after the founder is gone. None of those guys are running the business. There are a couple of Waltons on the board, but they are hands-off. It is non-family members running it. The Walton family took quite an extreme view. If you think about the concentration level of the Walton family, it is very extreme and it is a retailer, which I consider dangerous. Retail is one of the most difficult categories, but they have had a lot of comfort holding Walmart for a very long time. The conclusion I have come to is I am not going to be as comfortable to get as concentrated as the Walton family, but I like what my friend Nick Sleep did in the UK.

Nick Sleep was running with his friend Qais Zakaria the Nomad partnership. They had about $3 billion in management. They had a very large position in Amazon, which had done really well for them; it had gone up a lot. The UK regulator was giving them a lot of grief, and said, "You are too concentrated. You really have to diversify." My guess is they each had about $200 million net worth from all the fees and everything else. They looked at each other and said, "We do not need this." They emailed the investors saying, "We are shutting down the fund. We are returning all your money. We are done with the fund. Thank you for being with us." Then Nick Sleep added that he was taking his $200 million and he was going to divide it equally into three stocks: Amazon, Costco, and Berkshire, one-third each. He told his investors, "My suggestion to you is that you do the same. The money will be returned to you. Put into these three stocks, and for at least 10 years, you do not need to do anything with them. You do not need to pay us any ridiculous fees." This happened in 2014. If Nick kept the $200 million invested that way till today, he would have $1.7 billion from

2014 till now. What happened is that in the middle, Amazon became 80%, because it just grew so much more than Costco and Berkshire. He got a little frazzled, and he made a mistake. He takes half his Amazon position (40% of the pie) and puts it into what I call a total loser company called ASOS, which you have never heard of and probably will never hear of. ASOS does nothing; it goes nowhere. Even with the ASOS investment, that whole thing is worth $1.4 billion today. If he had done nothing, he would have had $1.7 billion, with the ASOS bet he had $1.4 billion, and if he had put the whole thing into the S&P 500, he would have had $700 million. What I liked about what Nick did is that one of the three bets was Berkshire and Berkshire is effectively the S&P 500 in my view. It is a very diversified business if you think about it. That was perfect in terms of diversification, where you had three good businesses and one of them would be like an anchor because of all the nuances within it.

In our case, both in terms of the fund and my own net worth, if we have three or four good businesses where the money is spread because these businesses have grown in value, that is okay. It is an okay place to be. It is perfectly fine. Charlie Munger used to say that in a lifetime, we are not going to get a lot of trips to the pie counter. He used to say that when you get a trip to the pie counter, you need to load up on a lot of pie because the next trip to the pie counter might not be for several years. If you look at someone like Warren in 58 years, he says he has had 12 great investments. Warren made probably 300-400 investments in his career, but 12 moved the needle. At the end of the day, even when I look at our portfolio today, like Reysas, TAV, the coal bets, the undisclosed bets, Edelweiss, and so on, I know that some of those are going to be mistakes because it cannot be that we have a team of all-stars. It did not happen with Buffett, and it is not going to happen with us. I do not know which ones are not going to work. I wish I knew that, but I know some of them will not work. We have to watch the basket carefully. I meet the Reysas guys once a year, I go look at different parts of the business and I want to make sure that nothing is going on that is kind of a secular problem or something like that. The same with TAV and the others. That is where we want to be and where we want to leave it. Sorry for the long answer.

Question: Hey Mohnish, Matt Holton from Kansas City. A little while ago you mentioned that maybe in 5, or 10 years you could see a liquidation event with Reysas. Do you see that as the fund selling its position if the father-son duo is not there? Or do you see that as somebody comes and acquires the company?

Mohnish: That is a good question. Reysas has been approached with some regularity by various international players around the world. They are the largest REIT in Turkiye, they have a very blue-chip portfolio, are extremely well run, and have very good tenants. Turkiye is in a situation where the inflation used to be 70% to 100% a year. Currency used to be very unstable. A real measure of what the real rate of inflation is (because I cannot trust government statistics), is to just look at how the exchange rate changes. The exchange rate change is a very good proxy for how much more than the US, the inflation rate is. Last year, for example, in 2024, the exchange rate changed by 20%. The finance minister is their Paul Volcker. He has taken a sledgehammer to inflation. He took the interest rates up very aggressively to 50% and he has already broken the back of inflation because now he is reducing rates. It will not surprise me if Turkiye ends up with a long-term inflation rate of around 10%, which would be exceptional for them. If they get to around 10% or somewhere around there, the mass exodus that took place of all these investors leaving and everything else will start coming back. I would expect that we would go from a pariah market to a euphoric market. You would have companies like TAV, CCI, and Reysas, getting to valuations where it would challenge us. It will not surprise me if we get to the same situation as ours with Ferrari and then what do we do? That is a good problem. To me, the thing is the father is 65 and the body language I see is that he is not going to be involved for too much longer. This is going to be one of the wealthiest families in Turkiye when they sell. He is a very active guy; he is the only Turk who has gone into space. They both fly jets, so they have other interests. I would not be surprised if there were some transaction; someone comes and buys the business. That is how we would get liquid, and that is how this story would end. Unfortunately, it may end sooner than we want it to end, but that is okay. It is all good.

Question: You previously mentioned that you admire the Reysas founding family's capital allocation skills. I am curious to hear more. Could you share some specific examples of how they have demonstrated these skills in practice? Are you aware of any political connections, or party support of the Reysas founding family?

Mohnish: Well, the father and son, the best I can tell is they are very apolitical. I doubt that any of these transactions and things that they are doing have anything to do with the government or politics. These are private deals done with an intelligent private seller facing an intelligent private buyer. Therefore, if you have any changes in the political front in Turkiye, it is not going to make much difference to Reysas. As for specific capital allocation examples, I went through quite a few in the presentation, so I don't want to repeat them here.

Question: Warehousing is a sector with low barriers to entry and IRRs in the 10% range. You have mentioned that Reysas generates IRRs of around 30% on new projects. If that is the case, why aren't more competitors entering the market and taking their clients, do they have a moat?

Mohnish: That is a beautiful question, and I want to try to answer it the best I can. It might be a long answer, but hopefully, you will get something out of it. One of the things that Warren Buffett mentioned (he used to say this about David Sokol, and more recently about Greg Abel), is that what David Sokol got done by 10:00 AM, Warren himself could not do the whole day. He felt that David Sokol's productivity was 5 to 10 times Warren Buffett's productivity (keep in mind that Warren Buffett's productivity is very high). He has made the same comment about Greg Abel in almost the same terms. Charlie Munger made similar comments as well. He said that Greg Abel has some skills that are very important skills to Berkshire, which Warren Buffett does not possess. He thinks in some ways, Greg Abel is superior to Buffett, and it is because of this productivity. Now, this is very difficult to glean when you look at a manager. The only way you can really get a sense of that is by just looking at the track record of the manager.

One time I was in Istanbul and I was in an area where there are a lot of warehouses. I was on a hill, so I could see the roofs of all these warehouses. In that area, there must be at least 15 or 20 Reysas warehouses, and maybe another 50 to 70 warehouses by various other owners. But when I looked at the roofs of these warehouses, what I found is that almost every Reysas warehouse had solar panels on them, and very few of the non-Reysas warehouses had solar panels on them. Now, what happened in Turkiye a few years ago is they changed the net metering laws where the utility has to pay you the same rate that they are charging you. If you have solar panels, then you send power to the grid and get paid those high rates. When Reysas first heard of the net metering, they ran the numbers and were shocked at the economics. They had never been in the electricity production business. They had never done anything with solar panels.

They put panels up in a couple of warehouses to get their feet wet and see how things were going. This is their standard modus operandi. I have seen them enter several new businesses. They usually enter a small bet, with very little at risk, and then figure it out. But then when they find that the economics work and the business works, they slam on the accelerator in a way that I have difficulty getting my arms around. What I finally realized after many years of interacting with them, meeting with the father and the son, is that the son is the Energizer bunny. He is like Greg Abel. He does not realize how productive he is. He saw that these solar panels were going to generate very high returns. They put up something like $40 million of investment into these solar panels so far and it has increased cash flow by about $10 million. It is around a 25% rate of return. They went full out.

The question you asked about the moat and why aren't other competitors doing it? Well, I can just tell you that I saw those warehouses and I saw the low-energy, lethargic owners in a capitalist system who did not put up those solar panels. Mark Twain used to say, “Truth is stranger than fiction because fiction has to make sense.” The truth does not make sense. One of the things about solar panels is that the most efficient way to generate solar energy is on the rooftops of large industrial-scale warehouses. Because you already have a flat surface, you already have electricity and everything else, and it’s protected from animals. Cleaning the panels is easy. Ground mount systems are more expensive to put in place, but just adding it on top of an IKEA warehouse or on top of a Walmart or something else like that is the cheapest. They understood that. So the Energizer Bunny, like Greg Abel, blasted them out like a rocket ship, and in about three years he put the whole thing up. Meanwhile all of his competitors in a capitalist society where they have all the incentives in the world are still contemplating their naval. That puzzled me.

Another thing that puzzles me is how Reysas goes into a business because they have gone repeatedly into businesses where they had no competency and they end up being number one or number two in the whole country in those businesses. They have one of the largest rail fleets in Turkiye. They are one of the largest truck fleets in Turkiye. They have one of the largest vehicle inspection companies in Turkiye. In all of these businesses, they saw the economics, and the Energizer bunny went to work. The best that I can tell you is that there is a moat, and the moat is in the son, and the son goes full blast. He is an accountant. He is very careful. I doubt he truly understands what his energy levels are relative to all his competitors.

The other thing about the 10% IRR, is that this is the same when we invest in the stock market. So when we invest in a stock market, if you said, "I only want to buy companies with a PE of one," you will find those companies. If you said, "I only want to buy companies of PE of three or better," you will find those. If you said, "I only want to buy companies that are growing more than 20% a year," you will find those as well. Reysas is not willing to put up capital if, in dollar terms, they are not going to get the money back in two, three, or maybe four years at the most. When you set that bar, what happens is you say "no" to a lot of deals, and the best that I can tell is the competitors have two problems. Number one, the competitors are levered, and so Reysas realizes they have the balance sheet and the competitors do not. One of the levers they have to pull is they now have some scale; they can go to a seller and say, "One week close, no contingency, no nothing. I will take it on spec, I will take it tomorrow." The competitors are not able to do that. The competitors are always running around, trying to arrange financing. The financing is more expensive than trying to find a tenant and such. Land that is zoned warehouse land in Istanbul is very hard to find. It is very tight geographically. The warehouses in Istanbul are rented over 99%. There are almost no vacancies, so they are in a great place in the sense that they have a great footprint; they have a pretty decent land bank, they are sniffing around and they do not need to do anything. They know that. Now they have a new lever. The new lever is the buybacks. I wonder what the Energizer bunny might do with buybacks. It might get exciting so let us wait and see.

Question: You have painted a rosy picture for Reysas and did not discuss risks. What is the top risk with Reysas? Please quantify the risk in terms of probability.

Mohnish: One of the things about Reysas is that it is an extremely simple business. Not only it is a simple business, but almost all of their businesses have recurring revenue. One of the strongest moats in general in terms of different classes of businesses is recurring revenue businesses because you open your doors and the business is there. The rent just keeps coming in. If you look at something like Android phones for example, and they make some margin on the phones, that is not recurring in the sense that people's phones get worn out and people need to replace their phones. They may or may not buy your brand, they may buy some other brand. It is a very different business than, for example, Adobe's product suite or Microsoft's Office suite where they have recurring license revenues and all that coming in.

I do not know how to quantify the risks that come up with Reysas. The likely scenario for us with Reysas in terms of an exit is the sale of the business. There are probably a lot of international entities that would love to get that footprint. It is an incredible footprint if and when such a sale comes and I hope it comes when our position is a lot larger than it is today. We may get $1-$1.5 billion or something in cash in that transaction, and I do not know what the position of the Turkish Central Bank is going to be, whether they would even care if I suddenly were to wire the whole thing out in one shot. I have no reason to believe that Turkiye would take some stance where they are putting some capital controls arbitrarily on some investors, but it would be a large amount of money coming out. There is some concern there. One of the things I might try to do is, and I have not discussed this with the founders of Reysas and maybe I will have some discussion with them on this, is that if and when such a buyer emerges, whether we can do a direct deal with the buyer outside of Turkiye where they take our shares, but it is a wire straight to a US bank, for example.

So I see some issues there where the amount is large and what might or might not happen there. I do not see a whole lot of other risk with the actual business. We are dealing with high-quality people. We have high-quality assets, a very high-quality tenant base, and a customer base; things can come from left field. I am sure there are things that I am not thinking about that could happen. There was an earthquake in Turkiye and people were concerned. Their buildings are built to a very robust standard. But there is geographic concentration, a large number of them are in Istanbul, and Istanbul did have a very large tremor earthquake a few years back. It is in an earthquake zone, but you would have to have past 8.0 or 8.5 to have something there. But I believe they built to those standards. I do not know what other risks there are and what might come up. But these are some things that are on my mind. We will see how it plays out.

Question: Why haven't other institutional investors invested in Reysas? What is the bear case?

Mohnish: Well, the institutional investors all exited Turkiye in mass. As it sits today, it is a difficult stock to acquire. It is very closely held. If you consider Reysas Logistics, we have about 33% and the founding family has about 44%. That is almost 80%. There are a bunch of other holders. I would say the real float of that business may be less than 10%. It would not be easy to acquire the stock without moving the price. Institutional investors will come back to Turkiye, but they will come back in a few years when the story is better than where it is today. At that point, we will see what happens.

Question: Have your buying restriction on Reysas been lifted?

Mohnish: We do not really have any official buying restrictions on Reysas. Turkiye does not restrict how much foreign investors can own of a company, and the founders of Reysas have been very direct and clear that they cannot control us or tell us how much we should own or buy. But what I did sense from their body language was that there was some discomfort with even the current size of our position. I told them voluntarily that we would not increase our position. What we did recently is PIF3, which has the largest Reysas position, needed to pay me a fee of close to $10 million. It also had redemptions. Part of the way we got the liquidity was by selling some Reysas in PIF3. What we did do was make sure that most (if not all) of the shares that were sold were bought by other funds that I manage. PIF4 increased its Reysas position and such. The group exposure has not changed overall, but it has been shifted around a little bit.

Question: You recently discussed that if the father was not involved in running the business, you would have to reassess the investment. In other talks, you expressed hope that you would never sell a share. Can you expand on these two differing points of view?

Mohnish: What I am trying to say is the Reysas moat is a moat that is very dependent on the founders and the management team. It is their deals and activities that are critical to that moat. If we were to start making changes to the father/son who runs the team, I would definitely have to reassess the investment. The father and son have a very good relationship, but there are times when they do not see eye to eye. In fact, that happens quite a bit when they are looking at a deal. The father is a creative guy, he is more entrepreneurial, and the son is more like an accountant. But once he figures it out, his execution capabilities are incredible. It is the yin and yang between the two because, in six years of ownership, we have not seen Reysas make a single mistake, which is stunning in capital allocation. I make all kinds of mistakes, but I have not seen these guys make any mistakes. The reason they do not make any mistakes is because the two of them are very different and they have a healthy disagreement and debate among themselves on these different deals and things that are coming up. While that process is not pretty, the end result is extremely good. The father is in his mid-sixties. Their net worth would end up being among the wealthiest families in Turkiye in a few years. He may want to do other things with his life rather than keep running a race until the end. I do not know. If there is any change, where the two of them are not involved or only one of them is involved, I really would hate to sell it, but I would really have to look at it carefully, and it would not be easy. We would have to really read the tea leaves there. We have not gotten to that point yet, but at that point, it might become difficult to figure out and if things get too hard, then we might do something else. But I hope that day is far away. We will see.

Question: When you are doing your evaluations on companies and you are looking for compounders, do you put coal in the same category as TAV, or are you looking at it more as a value play? Once it gets closer to intrinsic value or a little above intrinsic value, do you look at exiting that type of position? My second question is, are you using AI in any kind of way to help you with your research or emails?

Mohnish: Well, AI is horizontal, and it has an impact like electricity or the internet; it goes across. I was listening to Bill Gates the other day, and he was saying that we will not have doctors and educators 10 years from now; they are done. There are a lot of impacts coming. I have not so far seen meaningful changes in the way we do things. Part of it could be because I am just too set in my ways, but it will speed things up. We have started using it a little bit here and there because it gives us answers faster so we can have some pointed things we can go at it and that is okay, but step function changes maybe in the future, so we will see. Are you from Alabama?

Question: Yes.

Mohnish: The great state of Alabama.

I like Alabama. We are going to make a lot of money in Alabama. Warrior, for example, one of our positions is in Alabama. When you have a commodity producer that is sitting at the bottom of the cost curve, it has got a very strong moat. It becomes a moat (like Ferrari). In fact, you might say it might be a stronger moat than Ferrari because Warrior has a new mine coming online. We visited it a month ago. It is the Blue Creek mine. It has already started production, but it will be in full production by 2027. Blue Creek mine has a production cost of met coal of $50-$60 per ton, which is low. That is among the lowest in the world. At current prices, which are very weak, Warrior is very profitable while Alpha is not. When they get Blue Creek going, they become even more profitable. Those mines may go on for 30, 40 years and I would say that the Warrior mines will be run full till they are out of coal. They are not going to stop because the quality of coal is very high, the location is really good, and the price is very low. I do not put Alpha in the same category. I would say Alpha is a good business, and Warrior is a great business. A low-cost commodity producer is a very strong moat. We are not used to thinking of a coal company as we would think of LVMH, Ferrari, or Microsoft. Think about it this way, if Saudi Arabia has a cost of oil production, which is $10 a barrel, for example, they will be the last guy standing, no matter what the oil price is. They will always make money because when oil goes to $20 a barrel, they are the only ones produced. When it is $200 a barrel, they are just fine. Any of those range from $20 to $200, they are doing okay. They built the whole economy on that. They took Aramco public at a $3 trillion valuation, with huge amounts of taxes and royalties and everything else going to the Saudi government, because it is the lowest-cost producer with an insane amount of reserves. That is how we see things, and it is in your backyard. Keep an eye on it for me.

Question: Thank you, Mohnish. I am Matthew from right here in Austin. I have a quick question for you. I read in your Q2 letter that you had shifted your mind a little bit and you were thinking about selling puts maybe on AMR and you were going to put some things in place. Of course, that made me smile from ear to ear. I am wondering what your thoughts are if you are actually implementing strategies where you are writing puts now or what are your views today?

Mohnish: We actually made a change in our documents to allow that, but so far, we have done nothing. I have done a few things with options in my personal portfolio, but if we were to go down that path, we would probably be more interested in just buying calls. The writing of puts in many cases can give us some very good premiums, but it puts a requirement for cash to be available at probably the worst time when you do not want to part with the cash. Things are going to get put to you usually at times, which are not ideal for you, whereas with a straight call option, all you can lose is what you paid for the call. If we bought a two-year call, for example, and our exposure is limited to the premium we paid, it could expire worthless, and that is about it. What would be of interest to us is that one of the things we can do is buy really long-term calls, like custom calls, which are five years out. In some cases, where we have positions where the company has no debt, it is not paying any dividends, is buying back shares, it is possible that we could make a straight call bet, and that might be okay, but we have not done any of that today. I am very conservative about going down that path. Even if we were to do something, it might be well under 5% of assets; we would keep it pretty small. The way I look at the portfolio today with what we have, we have a lot of octanes in the portfolio without any options. We have things that are sitting so undervalued in many ways, and the options always put a time limit on you; they put time pressure. If you have a straight long position unlevered company, then there is no kind of expiry date or anything like that. That is my thinking there. We did get some flexibility in our documents if we ever see something that we want to do something with. There are some positions we have where they are pure buyback machines; they are not paying any dividends, and they do not have any debt. I do not like the two-year limits of the listed options. Some of those, we could look at if it was longer, but right now our mind is just long stocks, and that is it.

Question: Will you look into doing tax loss harvesting on AMR during this time, since it is down roughly 46% and past this 52-week loss?

Mohnish: When we are looking at tax loss harvesting, we tend to look at that in the fourth quarter. We look at that across the board every year. The answer is yes. We look at if anything makes sense and what we might want to do and might not want to do. Especially if we can get a similar asset and still get the exposure, then that would be of some interest.

Question: Last year you had other coal bets in the portfolio. You talked about Consol Energy, which has now become Core Natural Resources. I do not know if you are still invested in the company, but if you are not, can you talk about any lessons learned or what the benefits and the cons might have been when the two companies merged?

Mohnish: We had a position in Consol Energy, and we exited that position. We like Consol a lot. We did not like the merged entity. Consol was not a met coal player, it was a pure thermal player, but on the low end of the cost curve and extremely well run, very good management and very committed to buybacks. They would make money in almost any environment. When they merged with Arch, it became a very different company. Arch has got many assets that they want to get rid of, and so it became somewhat unwieldy. We had an opportunity kind of like Efes, where we had a gain and we did not like the bet anymore, so we took our chips off the table, and we moved it into Alpha and Warrior. That is why we ended up where we ended up.

Question: Met coal is facing a perfect storm with a steel glut in China, tariffs, and the looming risk of Chinese ship penalties, which could severely undercut US competitiveness. Could this put AMR at risk in terms of going from uncertainty to a real risk of capital requirements?

Mohnish: That is a good question. We have two bets in the met coal space. We have AMR and we have Warrior. I will get to AMR in a second. If I look at the Warrior bet, Warrior's costs are on the very low end of the cost curve, and they have a brand new mine, Blue Creek. I visited it last month and it is coming online. It has already started producing coal, but it will be in full production in 2027 when the costs are even lower. It is really spectacular. A low-cost commodity producer has a tremendous moat. A good example of that would be Aramco, in Saudi Arabia. Aramco can produce all the oil it wants to produce probably under $10 a barrel in some cases even well below that. In any environment, they are going to be producing cash. It is just a matter of whether they produce a little cash or a lot of cash. Warrior is just like that. They are sitting so low end on the cost curve that pretty much in any environment they would be producing cash. They also have an advantage where they are closer to the port. They have multiple ways to get the coal to the port. Between the two bets, I like the Warrior bet a lot better.

Now, Alpha Metallurgical Resources, AMR, is sitting higher on the cost curve (significantly higher than where Warrior is sitting). Warrior does longwall mining and Alpha does room and pillar, which is much more expensive. They both have exceptional management, but Alpha is really smart about how they manage their capital. When they started to see this downturn coming, very early last year, they stopped their buybacks. They were very aggressive in buying back the shares. They completely stopped that and they started building cash. Alpha has stated that they wanted their cash to never be below $250 million. They have no debt and they wanted $250 million as a cushion to ride out any air pockets. When they finished last year on December 31, 2024, they had $480 million in cash. They were almost 2x what their stated minimum was because they were not confident about how long this downturn would last and how much cash they would bleed before they would turn around. The first line of defense that Alpha has is they have a very solid cash cushion. The second line of defense is that they sell about 30% of their production domestically. When they sell the 30% domestically, they sell it at a pre-negotiated price. Usually in September or October, they sit down with the domestic steel mills and agree on what volumes they are going to provide to them and at what price.

The deal that they do with the domestic guys is very different from the deal for their exported met coal. The domestic deal is FOB, which means that the steel mill pays the cost of transporting that coal from Alpha to where it is needed. For example, last year, Alpha negotiated an average price of around $155 dollars per ton with domestic buyers. Given their all-in-costs, that is a strong margin on that 30% portion of coal. Whatever is happening to the price of coal right now is not relevant because that is a fixed price contract with fixed volumes that is being given to the domestic buyers. That 30% of their production has a margin. If you think they are going to produce 15, 16 million tons, about 5 million tons is going domestic. They have effectively locked in a 2025 profit of about $75 to $100 million on the domestic side. On the international side, they agree on volumes with different buyers in advance, but the pricing is floating. It gets set at the time of the shipment based on the index price. At current index prices, Alpha is actually losing money on those international shipments. The market price is quite low right now. It is around $165 to $170 per ton for PLV Australian coal. Since Alpha's coal grades are a bit lower, and they also have to cover transport costs to the port and beyond, margins on international sales are currently negative.

So they are losing money on the 70%. The question that comes up is how much would they lose on the international side. Let us say for example, in 2025, international losses are $200 million, and domestic profit is a $100 million. They net out about a hundred million in loss. They would end 2025 in that scenario with around $350-$380 million of cash. Then, the question is where do the negotiations end up when, again, in the fall when they negotiate with these steel mills, etc.? There is more risk with Alpha, but what is happening currently in the met coal space every day is mines are shutting down and miners are losing money. The restarts on those mines are not going to be very easy to do, if at all. In general, supply is being cut. The question is, when does the demand come back and where are they in terms of their cash situation? I would say that my best guess is that Alpha with their balance sheet could be in decent shape for three years, maybe four years of nuclear winter before they have issues. We are six months or nine months into nuclear winter, so we will see where we end up. But the first year of nuclear winter, actually the cash went up, so it did not even affect them.

Question: How does the coal market get affected by tariffs?

Mohnish: That is a great question, but I do not know if I have a great answer. It is likely that domestic production of automobiles and other items will go up as a result of the tariffs. If auto production goes up, then steel production in the US will go up. If steel production in the US goes up, then the usage of domestic coal will also go up. It could be a tremendous positive for Alpha if they are able to shift. I doubt anything can happen because they have these 12-month contracts; they have pre-committed X volumes to different international buyers. But once we get past 12 months, if there is higher and stronger demand domestically for met coal, Alpha would be very well positioned just from the geography of where the mines are versus where the blast furnaces are located. It would have a competitive advantage versus any kind of imported coal coming in because the imported coal, first of all, would be subject to a tariff, but it also would be subject to shipping costs, and bringing it inland and all that. If domestic steel production goes up, then Alpha could get some tailwinds. Right now what has happened with the tariffs is there has been what I would call an opening bid that has been made; sort of the beginning of the negotiations and we have to kind of see where the dust settles and the dust has not settled yet. Hopefully, in the next few weeks or months, we will get more clarity on where things end up.

Question: How will tariffs affect the portfolio?

Mohnish: Well, one of the things to keep in mind is that a large portion of Pabrai Funds is in Turkiye composed of Reysas and TAV. If we get a global recession, which is possible from these large-scale tariffs and GDP everywhere declines, then everything will be impacted. My own view is that a lot of foreign countries and the trading relationship they have had with the US has been unfair. It has not been free and fair trade. A lot of those deals need to be looked at, and that is being done now. The process is more abrasive than I would like, but hopefully, at the end of the day, we end up in a place where trade is much fairer and much freer. That would be good for the US and probably good for the world as well.

Question: Hello. This is Sunil from Dallas. First of all, you are looking great. It looks like you have been shedding some years. Awesome. Now that I have given you some compliments, I have a tough question which I think probably most of us have. You have been very clear that investing is not a team sport; it is a single-player game, but at the same time we think about key man risk. What does succession planning look like in the future for you? You have answered that question before saying that funds will just stop and then it will get distributed automatically. But what does that mean in terms of logistics? Can you talk about that a little bit more, if you do not mind?

Mohnish: That is a great question. In the legal documents, we have actually laid out in some detail what would happen. Effectively, what would happen is that if I am either mentally incapacitated or I have passed away or something, first of all, the funds will stop. There is no purchase of any securities or anything like that. There would be what I would call an orderly liquidation. We would go through and look at daily volumes of the different positions and all of that, and we would start unloading them in a manner where we do not affect price; kind of keep it to 10 to 20% of daily volumes and then return the proceeds to everyone. It is the only answer I have today. If in the future there is someone I can think of (someone on my team or something like that), whom I have confidence that we can continue the funds and it continues to do fine, then we can change it and we can let you know that. But as of now, you do not need to be concerned about that. There are worse things than getting your money back so that is okay. That is kind of how we have it set up right now. I am feeling good. I have no plans to go anywhere. Life is good. My departure date from Planet Earth is June 11th, 2054; we have 29 odd years, so we are okay.

Question: It was a great meeting and I learned a lot about this stuff again. I want to ask you if there is any effect that you think will occur because of the new administration and their philosophies, the tariffs, and things like that. I would like to just your take on that.

Mohnish: Things change every day, sometimes every hour. But I would say if you took a static view of what has happened so far, and if you look at, for example, the auto tariffs, it may give some tailwind to our coal position. What is probably going to happen is US auto production is going to go up, because all the auto guys think that 25% is too much. They really have a huge disadvantage in importing cars. If there is more auto production in the US which leads to more iron and steel production, then the domestic demand for metallurgical coal would go up. One of our positions, which is Alpha Metallurgical Resources, currently sells about 30% of its output to the domestic steel guys, and 70% goes international. When they sell internationally to India and other places, they are at a disadvantage versus other players like Australia because they have to first get it to a port and then put it on a ship and so on. But if Alpha were to shift to becoming purely a domestic supplier, they would become significantly more profitable because the alternative for the US steel producers would be to import the coal, which is now subject to a tariff, freight, the rail, and all of that. It will not have an impact in the next 12 months. They have already signed contracts to deliver coal to different customers, but it may have an impact after that. So far the best that I can tell in terms of what we have in our portfolio it may be a net positive. I would say probably neutral to net positive is where I would leave it.

Question: Hello. This is Benji from Lisbon. Having identified several compounders in your career, do you have any advice for people who are looking for very small compounders and how to identify them?

Mohnish: What I have found is that many times we figure out that something is a compounder after many years of ownership. It may not be. For example, in Fiat Chrysler's case, I did not think of it as a compounder, but it had a compounder inside it. Sometimes we can tell that something may be a compounder like Saudi oil because it has such economics, but others can be fleeting. For example, if I look at something like Reysas, it depends on the team. The quality of that business depends on that team staying in place, which is not the case in Ferrari. It is somewhat the case in Warrior, but definitely in the case of Reysas, which is very central to the moat and the compounding. But I would say that when we make investments after a few years of ownership, that is usually when it becomes apparent because you will only learn about a business after you own it. Compounders can come in every size, but in general, great business is going to be able to get some scale eventually, so they will not stay that small.

Question: Hi Mohnish. Dave from Minneapolis. I have been with you for 18 years. You mentioned about a year and a half ago, other than PIF3, you were going to exit India because of some of the reporting requirements, and it appears as if that position has shifted. Can you explain that?

Mohnish: We will probably have to fully exit India by the end of the year. The SEC equivalent of India Sebi came up with a very onerous requirement last year where they said that if you are a foreign investor, like PIF2, PIF3 or PIF4, we want full disclosure of every investor in each of the funds, which we did not have too much of a problem with as long as their systems do not get hacked or something. But it went beyond that. What they were concerned about is money laundering, because India has currency controls of Indian citizens using these vehicles to move money out, and then they do not know where the money is. They are coming back to India, investing through these foreign funds. They said, “The way we can circumvent this is we are going to have full disclosure of all these foreign funds telling us who all the investors are.” But they added a lot of requirements, which made it really hard. We have something known as OCI, an overseas citizen of India. For example, I have an OCI. I have a US passport, and I have almost the equivalent of a citizenship of India. I do not need a visa to go and come. They wanted us also to tell them of everyone in the fund who is an OCI, which is information from the past that we have not collected. Now we can do that and ask everyone if they are OCI or not. But then they had another requirement, which was that they wanted us to update them in real time when someone's OCI status changes. We did not know how we could comply with that, because if I ask you whether you are an OCI or not, and you tell me that you are not, am I supposed to ask you every day? At what frequency am I going to keep bugging you? We looked at that and said that we were going to go out of compliance because either the person may not tell us, or we would have to keep bothering everyone. At the same time, what was happening was that I was not finding too much opportunity to invest in India. We found something strange, which we highlighted and appealed to the regulator. We said, “Look, we have a billion dollars in the fund. Out of the billion dollars, we have 60, 70 million in India. That is 7%. Your concern about this round tripping going on where someone invests in Pabrai Funds to come back to the Indian market would be 93% non-Indian. They would not be able to anyway do what you are concerned about.” We also explained that all the requirements are too onerous. We presented it to them. We hired a good lawyer to do that. I am skeptical whether anything will happen. If we do not get any relief, then we must be fully out this year. It is not going to affect us much because we have around 7% or something in India and we have other fish to fry in other places. I have had a number of situations in the past where the Indian regulatory environment has just caused a lot of time and involvement and all these things without much payoff. From my point of view, I am perfectly okay with moving on and investing elsewhere.

Question: Hello, my name is Manuel from Mexico. From what I hear, I think you are very comfortable with your investments at the moment. Are you looking for new investments? My next question is that I know you are very geographically concentrated right now in the Middle East. Are you looking elsewhere? Any other regions or any other countries?

Mohnish: That is a good question. The recent bets have all been in the US. We have a hundred million undisclosed, which is all in the US, and the coal bets as well. I am happy about that. We have more coming back here. At the end of last year, we managed about a billion. It is a little less than that now. I am not particularly looking to increase assets. The assets and the management would probably just go up organically with what we have. We have kept the funds open, so if the existing investors want to add, they can do that, but the minimums are really high. The open funds, the minimum is 10 million, so we do not have a lot of people beating down our door. The funds historically have not been very easy for institutional investors to invest in because of the strange way I operate from their point of view. I am usually not willing to have a lot of calls and things with individual investors. We end up being a vehicle for mostly high-net-worth individuals. The $10 million minimum would typically mean that you are looking at families that are $100 million, $200 million plus in net worth. That is not such a big universe. We are okay with where the funds are at and letting it grow organically the way it is growing. When I look at the portfolio and at what we own, it could be $2 - $3 billion under management in a few years without adding more capital from outside.

Question: In the past, Pabrai Funds disclosed the stock holdings in each fund every quarter. It has stopped doing that. Would you be open to sharing the reason why it stopped?

Mohnish: We actually have never disclosed our portfolio every quarter, so I am not sure where that notion is coming from. We have sometimes disclosed our holdings like I have done recently, mainly because they became concentrated. Every quarter a 13F comes out, which pools everything we have, but it tells you what the funds have in aggregate in the US. There is some disclosure that comes out. However, the best gold standard for disclosure is what comes out in the audit reports once a year. We have to disclose anything over 5% that we own, so that is disclosed and that is what we do.

Question: You have done an amazing amount of philanthropy in India. I was just wondering if somewhere in the back of your brain, you are figuring out a way to monetize that.

Mohnish: I have never tried to. It is the separation of church and state. I would screw it up. One of the things that has worked really well for Dakshana is that we have a big interface with the government of India. We would not be able to do the work without the joint ventures and MOUs and all that we have with the government. When I meet with these senior government guys, they say, "Mohnish, we are very comfortable dealing with you because when we deal with a lot of other entities, there are a lot of business conflicts." For example, there are a lot of for-profit education companies that want to do some non-profit work with the government, and they get very uncomfortable because there is a conflict. They are trying to drive their business on the back of the nonprofit in some way. They tell me, "We are really comfortable with you because you are a pure philanthropist." I said, "That is the furthest thing from the truth because I am a hardcore capitalist." They say, "Yes, but all your capitalist activities are not in this space. They are not in the education space. We do not see any of it, and we are very comfortable." I would just mess up everything plus purity is important. We get a lot of respect for Dakshana where people like it. All the different people working there buy into the mission. It would just really get messed up. The thought has never crossed my mind. I just keep them separate.

Question: Are you looking at investing in any AI opportunities?

Mohnish: Well, I would consider it outside of my circle of competence. I am not going to bring anything to that party, so we would be a significant disadvantage to a lot of other smart people. Generally speaking, I have not seen anything show up on the radar where I would say that we have an edge. In the areas that we have gone into, our typical edge has been that we are willing to embrace uncertainty on Wall Street. Things get confused between risk and uncertainty. There are situations where risk is low and uncertainty is high, and usually when risk is low and uncertainty is high, the price is low. If I just were to boil down the investments we have made, they tend to go into that area of low risk, high uncertainty. It is like the way TAV made their investment in Almaty. When they were making that investment, there was a lot of uncertainty, but risk was relatively low. It is a landlocked country. It is a rich country, people have to travel, so eventually things are going to be great. But when it happens, how it happens, what the numbers are, there was a lot of uncertainty there. So many of our bets tend to be off that nature. Generally, we have a lot of inefficiency that we can exploit in that low risk, high uncertainty area. In AI and general tech, I am really not going to have any edge versus so many other people. Also, we are in a situation today where you could say the space may be overheated. These are early days and so much is going to happen, but picking the winners, who the winners are, what they look like, we start getting into things that go very far away from no-brainers. I just try to stick to the no-brainers and go from there.

Question: Doesn't it fit the low risk, high certainty threshold as a category?

Mohnish: Well, the risk in any early-stage business is high. If we are looking at AI bets, first, we would have to separate; we would have to look at public versus private. Pabrai Funds can only invest in public equities, it cannot do private. Now I start looking at companies. Now every company claims I am Mr. AI. I am only AI. We are going to separate wheat from the shaft, but what kind of public companies can we find, which have huge long-term tailwinds in AI, not reflected in the price. No one except us understands it. I am getting into an area which is not likely to be the case. What we have to do is we have to leave you to make those bets on your own. You think of this as your sedate, non-tech, non-AI portfolio; that is the way you should think about it.

Question: This is Sunny from California. I know you do the financial decisions. Making those decisions is very hard. How long does it take you to do the research and make a financial study? How long exactly or normally does that take you? Thank you.

Mohnish: That is a great question. Sometimes it can be very fast. It could just be a few days, because things come together, and it is obvious. In some cases, like if I look at the coal industry, for example, it has taken us 18 months to figure it out. We made the investment, but then we had evolution in our thinking over that time, so I have realized that we really learn a business after we own it. It may take us a few weeks or a few months to get comfortable to make a bet. But what I have found historically is that in the next year, two or three, we truly learn the business, because that is when we own it. We kind of are poking more deeply into it in different areas and then take it from there. It is a pretty wide range. Sometimes it can be really fast and sometimes it can take some time.

Question: Do you have a view on private venture markets for start-ups and mega unicorn companies that have not yet gone public? Will IPO windows ultimately open for private businesses? Should we worry about public markets doing real price discovery on immature private businesses?

Mohnish: Well, I would just say that this would go into the too-hard pile for me. I am not sure where this is headed with IPO markets and windows and all of that. It is not the game we are playing. We are affected by it on Dhandho Holdings with May Mobility and Outdoorsy and such. My view is that if the businesses are really strong, they will come public in almost any market. If markets are very frothy, then you get a lot of weak players going public, so clearly we are in a situation right now where the best companies that need capital, will eventually get the capital. That is the best I can do on that.

Question: This is a somewhat non-fund-related question. I hope this question comes across with the spirit of admiration and curiosity. I have heard you speak with a clear and grounded perspective about how many years you expect to be on this planet. Warren Buffett has said that he wants to be remembered as a teacher, and Munger would say something along the lines of, I hope I was useful. You have achieved a great deal, not only as an investor but also through Dakshana. My question is, when you think about your legacy, what do you most hope people remember you for?

Mohnish: Well, we do not have a good idea of what happens after we are gone. I did discuss it with Charlie a few times, and I have sensed that Charlie and I saw it the same way. I believe that when we are gone, we are gone. Nothing will be left; everything will be gone. It is not like there is some spirit or something. The notion of legacy is kind of stupid. How does a legacy matter when there is nothing there? It is finished. Let us try to leave this place a little better than when we came in. It is important to do a good job with your kids. You have a huge impact on your kids, so that is important. That is pretty much it. You do the best you can. For me personally, I am a game player. I am like a mathematical game player. Dakshana is a game. Pabrai Funds is a game. Bridge is a game. Blackjack is a game. Golf is a game. Golf even has some math, which kind of makes it fun. Two of these games, which are Pabrai Funds and Dakshana, have some interplay in the sense that one is trying to create wealth and the other is trying to give wealth away. The way I would like to play these games, and the way I am trying to play these games is on a risk-adjusted basis, I want Pabrai Funds to do extremely well. I wanted to do very well by taking very little risk. On Dakshana, I would like it to deliver high value to society, and high social return on invested capital. That is the quest. Can we play these games perfectly? Then one day before I die, there would be like $10,000 left. Everything would have been recycled back to society at very high rates of social return. We would also have compounded pretty well over that time. If that happened, then the game would have been fun. But I am not doing that for legacy because we are gone. How does the legacy matter? That is the best I have been able to figure out so far, and that is kind of how I am going about it. Life is meaningless. I like to play games. I like these mathematical games and I like you guys, so life is good.

Question: You've recently said that you learn about a business only after owning it. In one of the recent interviews, you told a story or analogy saying that when a customer would go to a grocery store, they would say, "I have only a hundred bucks, what can I buy?" Charlie Munger, on the other hand, would say, "I have a hundred bucks, I will wait until that product will come down to a hundred bucks." So what you are saying is that you would own it then keep learning, then after three years you would learn more and decide what to do. Is that right?

Mohnish: Let me clarify your grocery store example a little bit. What Charlie was talking about was he was contrasting himself and Ben Graham. Ben Graham would go into a grocery store, look at what is discounted the most, and buy that. Charlie would go into a grocery store and look at what he loved and then go back every day till it got to the price he wanted. He was more discerning about what he wanted. I would say that the nature of investing is that for any investor, the learning of a business is really going to happen after you own it. You can spend three years. Also, the other thing is that having it on a spreadsheet is not going to teach it to you the same way as when it drops 40% in price. When it drops 40% price, that is when you truly learn the business. I have not found a way where I can say that I bought a business, and we knew everything about it before we bought it. We really did not have much that happened after that taught us more. Businesses are very complicated in the sense that we have got the individuals who are running it, the different departments and all of that. We have the nuances of their product and service. What I find repeatedly is that as we go deeper you just get to realize that there are nuances that come in that you did not think about or you did not consider, and it is a continually evolving kind of scenario. Even a relatively small business is always going to have things that can teach you for a long time. It is just the nature of the beast; these are somewhat complex beings. If I look at a business like Reysas, it is a relatively simple business; they build warehouses and rent them out. But every time we go in and visit and do field trips and all that, we see so many different nuances that come up that require some thinking and such. It is not possible that you would have a static situation. We do try to know enough before we make the bet, but also the other part of this whole equation is that even for a person like Warren Buffett, it has been 3, 4% of bets that have truly worked out well and he did not lose money on many of them. Very few of his bets have actually lost money, but a lot of them have either flat lined up or done nothing. The other part of it is that business is tough because capitalism is brutal. Everyone is trying to compete and take your profit away. All of that plays into what ends up happening with the investment you make.

Question: This is a short question. This is Anurag from Austin. Following Charlie Munger's example, we like your funds. Are they at the sufficient discount now to buy them?

Mohnish: Yes, it is a good time to buy.

Thank you for attending and it is wonderful to have all of you. I will talk to you soon.

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