Pabrai Investment Funds/Dhandho
2018 Annual Meeting Transcript

Note: This is the transcript of the meeting held in Chicago and Irvine. 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 (the password to the video is "Munger"). They can be viewed at:

https://vimeo.com/290342536

Welcome and Introduction (Slides 3-5):

Well, thank you for coming and great to see a lot of new faces and plenty of old timers, So, slight format change from the past for those of you who have been here before. Before we get the meeting underway, we have a brief tribute to Sergio Marchionne. Some of you may be aware that he passed away recently. He was 66 years old. Sergio was the CEO of Fiat Chrysler and also the CEO of Ferrari. Even though we sold all of Ferrari, about 30% of Pabrai Fund assets are still in Fiat. So, I'm going to play a short video and then we'll get the meeting underway.

If you look at what Sergio accomplished, actually most of what we are going to gain from his leadership, will probably come many years after he has passed away. But if you look at this point, this is when Pabrai Funds invested in Fiat Chrysler and the three bands, the green band is Ferrari, the purple band in the middle is Fiat Industrial which we never invested in, so you can ignore the purple band. And basically, the purple band did not do much, which we were right to pass on so we did not miss it. And then the blue band in the bottom is Fiat. So basically, there was about a 5 billion dollar market cap between Ferrari and Fiat in 2012 when we invested. It went up, if you take out Fiat Industrial, about 10 times in the last six years and it outperformed the best of Amazon, Apple, Alphabet, Google, Microsoft, Facebook; it outperformed all of them.

And the interesting thing is that Fiat Chrysler is either going to spin off or sell Magneti Marelli which maybe between 25% and 30% of the market cap. It is probably another, I mean, on 2022 earnings the it is trading at between one- and two-times earnings. So, I think we have got quite a bit of additional value that will come out in the next few years. We sold completely our Ferrari position right after he passed away. But we have not touched our Fiat position and we do not intend to do so. I just wanted to give some back drop on Sergio because, first of all, he is probably one of the top 20 businesses leaders to come along in the last 100 years, but also so that you have a better understanding of why we own what we own.

Slides 6-7:

In general, we're going to cover four things. I will quickly go through Pabrai Funds and again one of the changes I made this year is I want to spend more time on Q&A. So, we have cut down on a number of slides where you can get that information either in our quarterly letters or the annual report. I will go over Pabrai Funds, then Dhandho Holdings which we are in the middle of winding off, and then Dhandho Funds which is just getting going. Then we'll go into Q&A.

Slides 9-14:

So, if you look at PIF2 which is our oldest fund and is now 19 years old, every dollar has basically become about $15 in the last 19 years. And the best index (the Dow) would have returned a fraction of that, or around $3.50. So, PIF2 has done significantly better than the index. In PIF3 every dollar is worth about $6.55 today. And the best index which is the NASDAQ is about $5.00 and actually the NASDAQ is somewhat erratic. But against the other two indices we have done even better. And PIF4, which is the youngest fund and is a little less than 16 years old, every dollar has converted into about $4.00. It is less than the NASDAQ where every dollar is about $5.00, but it is ahead of the other two indices.

With the erratic NASDAQ it just depends on when you start measuring. And our frictional costs I think now are the lowest they've ever been since the start of the funds. PIF2 is at 5 basis points, PIF3 is at 4 basis points and PIF4 is at just 2 basis points. I don't know of any hedge fund or mutual fund, even ETF, that operates at such a low frictional cost. We always try to make sure that we keep frictional costs as low as possible. So those are great numbers. There is about $700 million between the three funds. Pabrai Funds is currently closed.

The next slide is the only slide that comes close to being a commercial. But basically, if we had a 2 and 20 structure, I would get more than $14 million a year for breathing and I can breathe just fine without the $14 million. And my family is the largest investor in the funds, so not only do I have incentives from the fees but I have plenty of incentives in terms of my actual holdings in the fund. And we are subject to high water marks, which is the 6% annualized. In fact, PIF2 went through a 10-year period from 2007 to 2017 where I didn't get paid a fee. And that was actually fair because we were below the 6% annualized and I don't know of any funds that have gone 10 years on fresh air and water. But we went 10 years on fresh air and water and it was just fine.

And finally, there is no leverage, no margin, no margin loans, and no short positions; it is a pretty vanilla operation. And it is a great group of investors; we have about 387 families around the world. So, I think it is a very stable group, most of the money is non-institutional, and most of it is first-generation entrepreneurs. So, it is a great group and I am happy to be a steward of this group, so that is wonderful.

Slides 15-16:

I will just go over a couple of positions where we have exited. Ferrari was never an investment we made directly; we got it as a spin off from Fiat Chrysler. So, in 2012, we had invested about $70 million in Fiat Chrysler and effectively when they did the spin-off it worked to about $23.5 million of that $70 million that went into Ferrari. And when we sold, we collected about $100 million from that $23.5 million. We had about 26.7% realized, annualized gain on that. We sold too early, I sold about 30% of the position recently, but 70% had been sold earlier, which was my mistake because I didn't really understand the value of Ferrari. So, if we had held on until Sergio passed away, we would have made another about $82 million on Ferrari.

Ferrari is a phenomenal business, but I think at this point my perspective is that it is a great business but it is fully priced. I would have kept the business if Sergio was running it, which was his plan. He was going to leave Fiat Chrysler next year but continue running Ferrari.

One of the things we get into is this debate about buy and hold and holding great businesses. Recently I looked at Berkshire's purchase of Coca-Cola. If you look at Berkshire between 1988 and 1990, it had invested about a little over a billion dollars maybe $1.1 - $1.2 billion in Coke. But if you look at the $1 billion, 12 years later which was in 2000, $1 billion was worth about $12 billion. So, it did a 12x in about 12 years about 26% or so a year. And then, from 2000 to 2018, the $12 billion is now about $18 billion. So, it went up about 50%, and I am ignoring dividends but that would not change the math much. So, it went up 2.3% per year on just a pure stock basis. So, the first 12 years was 26% a year and the subsequent 18 years was 2.3% a year. It got fully valued and then some in 2000. And even though the business has performed well since then, we had the result that we had.

Slides 17-18:

So, another very small position we had just to give you the sense of some of the things we are doing in India is a really tiny Indian company called Oriental Carbon and Chemical. We had invested I think less than $1 million dollars into this a few years ago and I recently sold it for about a double. And Oriental Carbon is an interesting business because it is like an oligopoly. Basically they make insoluble sulphur. And insoluble sulphur is a required ingredient in manufacturing tires.

In fact, with radial tires you need more insoluble sulphur. In performance tires, you need more of it. And now, when you have electric cars, because the tires are thinner, you have more frequent changes of tires and you'll need more and more of insoluble sulphur. One of the reasons I was interested in this company is that it is almost a sure thing that miles travelled by humans in automobiles on a per capita basis is just heading one way: it's going up. I mean it may be in shared rides, Uber, Lyft or Zip Cars or in different formats. But the common beneficiary of all that is the tire manufacturer so this was a way to play that without directly buying into a tire company because those are somewhat me-too businesses. And so Oriental Carbon was interesting. In the second quarter of this year there was a lot of turmoil in the Indian markets. So, there were a lot of opportunities and I think at that point, we wanted to put more cash to work and that is why we sold and moved on to other positions.

Slides 19-20:

Then another one is Global Ship Lease. From 2015 to 2017, the three years we owned Stonetrust Insurance, part of my responsibility became managing the Stonetrust bond portfolio. And Stonetrust had a very significant bond portfolio of about $65 million. We had a statutory requirement to keep a large amount in fixed income. What I found interesting in that the equity investors have an edge over fixed income investors. Usually we are investing at the bottom of the capital stack; we, equity investors, get paid after everyone else is paid. And so, if you put an equity investor hat on when you're looking at bonds, in general, you get a lot more protection versus what we normally used to getting as an equity investor.

Global Ship Lease was interesting because at the time, we made the investment primarily for the Stonetrust portfolio, but then I realized it was a very good proxy for money market. When we invested, and even today, shipping was a four lettered word. It's a very distressed industry; container shipping is also extremely distressed. So Global Ship Lease had these 10% coupon 2019 bonds where the entire amount was more than covered with long term leases with investment grade companies.

And the bonds had some covenants which required them to keep pre-paying principal if the cash flow exceeded some threshold. So actually, from the original issue of $400 million, I think, when we invested, around $300 million was left. So, there was even more of a cushion in terms of collateral because all the ships served as collateral and on top of that you had all the leases. So, we were getting basically a 10% coupon on the Stonetrust portfolio, which is really good for fixed income. And we used it in Pabrai Funds just for some period in 2017 and they eventually called the bond. So, we got more than the 10% coupon because we got some appreciation on the bond itself when it was called.

So, this was basically an idea that came out of Grant's Interest Rate Observer, which sometimes has some interesting things on fixed income. And so that worked out well. Sometimes when we have cash sitting, usually we are fine with keeping it in money market, but sometimes if we can find a liquid fixed income instrument where the downside is muted, then we look at it.

Slides 21-24:

This is an unusual time for Pabrai funds because we have many stocks in the portfolio that I call P/E of 1 stocks. So, for example when we invested in Fiat Chrysler in 2012, it looked like within the 2017-19 timeframe, the $5 billion market cap, which it had in 2012, would convert into at least $5 billion in earnings. And that actually came to pass, so we basically were buying that business at 1x earnings, which is why even with the premature selling of Ferrari, we still have like an 8x return, or so. On Fiat, we still have a ways to run on that.

Slides 25:

In 2015 we invested in Rain Industries. Rain is a company in India but most of its revenue of $2 billion comes from the US and Europe. It's market cap in 2015 was about $200 million. And it looked like by 2018 or 2019, the earnings of the company would be around $200 million. And that has actually come to pass. So if we look at the recent numbers, we were paying between 30-45 rupees a share. And I think the earnings are approaching 40 rupees a share now. So, Rain has gone up about 5x since we bought it.

Slides 26-27:

We invested in a number of different Indian real estate companies particularly focused on Mumbai. Two of them, specifically are Sunteck Realty and Kolte Patil. Both of them were bought in 2017. The price they were trading at is about equal to or less than the earnings that they will probably make in 2022. So it was a very similar situation to Fiat where, the market cap in 2017, versus the earnings in 2022, is sitting at 1x earnings.

When I look back over the last 19 years or so, we have had a number of these. For example, I think in the early 2000s, I had invested in Stewart Enterprises, which is in the business of burying dead people. It has the lowest rate of business failure of any business class. If you are 22 years old and thinking about what business you should go into, nothing beats funeral homes. It's a great business to be in and the lowest rate of business failure of any industry you can think of. Anyway, Stewart at that time was at 2x earnings, which meant that a year out you would be at 1x earnings and two years out you would make your money back, which is exactly what happened. In fact, we made a few times our money.

Then I think in the 2005 timeframe we invested in IPSCO, which is a plate and roll steel manufacturer. IPSCO had these contracts where they had about 24 months of visibility. And between the cash they had and the next two years of earnings which were almost contractualized, it covered the whole market cap. So, it was trading at 2x earnings with contracted revenues for the next two years with margins in place. And I think we had a 4x or 5x in IPSCO.

We invested in Silicon Valley Bank when the funds started in 1999. I think on the first day when the funds actually went live. They just had warrants on a whole bunch of dot coms. Every time they got a venture backed company to be a client, they would take warrant coverage for asset backed loans they were making. The large pool of warrants, for a while, significantly exceeded the value of the bank.

So, when I look back what I find is that these P/E of 1's, which I love, aren't that common. But they seem to show up every two or three years. And it just so happens that when I look at the portfolio today, we have an overdose of P/E of 1s, all in the portfolio at the same time. If you look at all the total amount we have invested in these four stocks, it was basically $160 million, which is valued at close to $400 million. We have already pulled out about $132 million of cash from these investments. And they make up about 56% of the portfolio.

One of the reasons I wanted to share this is that a large portion of our portfolio is just in these four stocks. And so, if we look at Fiat, for example, the $70 million today is sitting at close to $200 million. And actually the $70 million has turned into $317 million if I can include all the gains from Ferrari. And then if you include the money we left of the table, the $70 million is close to $400 million today if we hadn't sold Ferrari. But even after all the money we have made we may be still sitting at arguably 1x 2022 earnings, just depending on where those numbers come in. Most of the magic of Sergio, we are likely to see in the next few years with the successor. So, we will keep our Fiat position.

Then the second company Rain, which I talked about, is that we had originally invested $20 million in Rain. And at that time someone had sent me a write up on Rain and I had never heard of this person, in fact earlier this year, I met him for the first time in Vancouver and bought him lunch – the least I could do! And our $20 million had actually turned into $220 million. It has fallen back, but it is still sitting at close to $90 - $100 million now.

So actually, when we were having lunch - it was a nice Chinese lunch that we were having in Vancouver - he offered to pay. I said, "I can't do that. At least I need to buy you lunch." And anyway, he was a great guy and I told him to call me with the next idea and I am constantly by my phone waiting. When he sent that write up on Rain to me, it was very obvious when you read the write-up. I think three hours after I received it, I issued buy orders. And I would have loved to put $70 million in, but Indian securities laws don't allow us to hold more than 10%. So, we own 9.99% of Rain.

The other interesting thing about all four of these companies actually is that they have a common theme. When I was making the Fiat investment, I realized that Sergio was an unusual manager. But I never realized how unusual and I think my learnings about Sergio went through about four different levels where each time I get surprised where I'd say, "He is even better than that and he is even better than that." And Rain is similar in the sense that I knew that I was buying into a company which had a great CEO and promoter with large ownership. He is a very introverted guy, so one time when I was going to Hyderabad, I contacted the company and I already owned about 10% of it and I had never talked to them. And so, I met the CFO and I said, "If Jagan is around, because he travels a lot, I would love to see him." Jagan Reddy is the CEO. And the CFO said, "Mohnish, he is really not that keen to meet investors." And so I said, "Well, if I am coming next time and he is around, maybe you can ask him?" And so, the next time I was in Hyderabad, I met Jagan and I could see he had no interest in being in the room. I think someone just told him, "Listen, give him 20 minutes and just keep him entertained."

Anyway I think in terms of his abilities, as a businessman, leader and operator, Jagan Reddy is off the charts. It is the same thing with the two Indian real estate companies. In both cases, the quality of the leadership is significantly better than I had gauged when I first invested in them. In all four cases, we not only got a great price, we ended up with incredible managers.

In the case of Rain, just to give you a sense of how Jagan operates. He created about $1 billion in equity value with effectively no money down. He bought these two very large assets completely on non-recourse high yield debt where if things didn't work out he would at a worst case be exactly where he was. He wouldn't be any worse off, but if things worked out, he would have transformed the business. So, he made it work and made it work really well. But the second thing is that the way his mind works is that he doesn't believe in anything less than 40% or 50% return on invested capital.

For example, Rain recently invested about $130 million in two different capex projects, which will both finish next year. They have not disclosed what the economics of those are. But when I just look at them and I think about how Jagan's mind works, I think they will make maybe $50-60 million pre-tax, it might even be higher than that, on those two investments. And through most of its history, Rain was capital starved. So, if you take a company which is $200 million in after-tax earnings, and then you start adding $40-$50 million from these investments, it becomes $250 million, which he is again going to redeploy at the 50% redeployment rate. I mean that is an engine and you don't want to get off that treadmill. So, Rain is interesting.

In the case of Sunteck and Kolte, they are in businesses where 90% of their competitors have gone out of business over the last two years. They have the world to themselves at this point, so it is an interesting landscape. We put about $60 million into both of them combined and today that is worth about $100-$105 million or so. But in both cases, they have very high returns on equity on their new deployments. They both are really good businesses from that perspective.

If you look at the portfolio, it looks strange compared to the way it used to look in the past. The best way I can describe it is that it is a barbell portfolio where we have about 56% sitting in P/E of 1 stocks. We have about 9% sitting in cash. And then another about 35% sitting in what I would describe as great businesses where we paid up that are interesting assets. We will talk about them at some point when we don't own them, but I think we will do really well with them. We did not pay 1x earnings for those; in some cases we paid a lot for them.

Slides 28-32:

So that's Pabrai Funds. I'll switch to Dhandho. So, Dhandho I think just in terms of history first of all, it was a mistake to start Dhandho and I am in the process of putting the toothpaste back into tube. We raised $152 million, and we returned $76 million to investors at the beginning of this year. If you look at the assets and the value of things that we have today, on an undiscounted basis, it's about $82 million.

So, the good news is that we think when we have finished all our distributions, investors will not have lost a dime. In fact, there may be some good upside with Dhandho. And so, we're in the process of returning capital. If you just look at the $10 per unit, we have returned $5.00 and we will probably return another $1 or $2 dollars in January. And then we will keep doing distributions.

The simple way to look at it is that out of $152 million, $76 million has gone back. About one third of what's left, or $26 million, is a receivable that we have from the buyer of Stonetrust and a venture fund called Tandem. And actually, Francis Chou, who is the buyer, was supposed to be here today actually but he fell ill with a bad cough so he could not make it. But I do want to say that it has been a dream to have Francis as the buyer. We've had no issues of any kind since the purchase and in fact, it is only because of Francis that on an approximately $71 million dollar purchase price, I seller financed $31 million of it with Francis.

So, we were willing to close the deal with $40 million paid to us and another $31 million coming to us in the next few years. And the $31 million is subject to haircuts depending on whether the results have issues. We have received another $13 million since we closed, so we have been paid about $53 million so far. And I think we will keep receiving the payments. The results are great. We have had no issues with any adverse development and Francis is happy with the purchase. So, things are going pretty well. The remaining 2/3 of the pie is a combination of cash, Fiat Chrysler, and other equities. We will probably hang on to Fiat Chrysler for some time. We have some bits of some of the companies we talked about like Sunteck and Kolte in there as well. We will probably hang on to those also for some time.

The idea is that probably another $2 per share, or about $30 million or so, will get distributed in January. And another distribution may follow. Fiat is doing a spin-off of Magneti Marelli. They may either sell the company or spin it out. If they spin it out on a $17 stock price, we'll probably get somewhere between I would guess $5 to $6 a share in value in that spinout. So about close to a third of the value will come back to us in cash and we will also have a mechanism, we did this last time too, where people don't have to keep waiting for these liquidations coming gradually if they want to have complete exits.

I used to own less than 6% of Dhandho and when we did the last exit, I bought out whoever was interested in selling. My family's stake is around 22% or so now and this time around I think what we will do is, I won't get any preferences but we will definitely allow other insiders to buy, board members to buy and also any LPs who want to purchase from people who are leaving. But I keep telling people not to sell their Dhandho units because we have not put any valuation so far on Dhandho Funds. And, Dhandho Funds is growing pretty fast. If I looked at it two years ago, we started with about $5 million in assets. It was $9 million about a year ago and now it is close to $90 million in assets. So, the Dhandho Funds business is growing rapidly and if that business would have scaled to let's say $1 billion dollars at some point, conservatively, we will value it at least $60 or $70 million. So basically, once we return the money we still have some upside there.

Slides 33-40:

The final piece of the presentation is about Dhandho Funds. We have two funds, two fund families. One is the India Funds and the other is Junoon, which is our quantitative product. In the India Funds, we are focused on putting at least 2/3 into India and up to 1/3 can be non-India. We've had turmoil in the Indian markets earlier this year where the small caps and mid caps went down.

So, the funds cumulatively are down a little bit, they are down about 12% since we started But I like what we own in there and I think it will do well. So that is the India Funds and again like you see the assets have gone up pretty nicely. And then, Junoon is our quantitative fund which basically invests in Cannibals, Spin-offs and Cloned ideas. Junoon has 22 stocks. And a computer basically picks the stocks. It is basically a set of algorithms that we have developed. And it has done quite well in our back test and is also doing quite well in the real world. So Junoon is about two years old and in the last two years it is up about 36%, slightly ahead of the S&P, which is quite good because the S&P has been on fire. So Junoon has gone up at close to 17% annualized. Junoon has about $22 million in assets now. And both the India Fund and Junoon are open.

We have a great team. Fahad, our CFO at Dhandho and also many roles and Pabrai Funds and Dakshana and basically most of the team is part time. And they are really running four different operations in the same location because we have got Pabrai Funds, Dhandho Holdings which is declining, Dhandho Funds which is growing and then the Dakshana Foundation.

And we have some of the folks here amongst our service providers Ajay is here and Randy is here from UBS. We've got Bob Sempsey back at Liccar. Good to have you back Bob. Kotak is our custodian in India and we've got a couple of law firms in India we work with, including Finsec. These are most of our service providers between audit accounting tax and such. Mike Froy is here from Dentons, who is our primary legal counsel.

Q&A

So, and with that we will open up for questions so we have got a couple of mic-set up or if you would like we can have someone bring them the mic to you if you could just tell us your name, where you are from and right here. And if you could limit it to one question that would be great.

Q: Hi, Rob here I want to challenge you on calling yourself stupid for selling Ferrari. I've sold a lot of stocks in the last year that were core holdings that we had owned for many years and loved and we still loved the business. But they hadn't gone up enough that it was no longer safe. And they of course kept going up even more and we would have done much better holding those rather than what we bought instead. How much of you calling your decision a poor one is merely exposed because it kept going up a lot or even based on what you knew then?

A: Well I think the thing that I didn't appreciate as much as there were two factors, one is I think my understanding of Ferrari was weaker than it is today. And the second is that I did not fully appreciate the strength of the manager and so I think that if person like Sergio is running a business-like Ferrari I mean he got dealt a bad hand when he got Fiat Chrysler. But when you give him a phenomenal asset like Ferrari, so you are overlaying a great asset with a great manager and that's why I think the final 30% that we never sold my plan was just not touch that and then Sergio suddenly passes away. So, I looked at the new person who came in and I didn't have that much confidence in the new person and I was looking at a fully priced stock if Sergio is not at the helm.

So, I think that some of it which was sold early was probably sold too early. I think the most recent sale I don't have a problem with it and I don't have a problem if it goes up or what it does from here because I didn't have confidence in the path from here, but I think it is usually I think many times what I found is that it's a mistake more often than not when you are selling great assets. I think that usually because there are not that many companies that are great businesses.

Ferrari for example is a company which is one of the most iconic recognizable brands in the world. They have never in 70 years spent a dollar on advertising. So, they have built that brand which we are familiar with and the other thing is that it is classically a product where the higher you price it, the greater the demand. And so, I think they can have their margins be whatever they want them to be and such. And so, I think if I understood earlier what I understand today I think probably would have been nicer to keep it. But I think as of now I wouldn't if I had a position at all so, thank you.

Q: Hi, Sue Chin from Washington DC I know a long time ago you wrote a book Dhandho Investor which set up your frame work on how you invest and diversify. And then several years later you talked about investment check list that you built then evolved. Can you *tell me how your investment has changed? Have you added more stuff and like Warren's pivoting and evolving right now, how has your investment style evolved too?*

A: Yeah, I don't think it has evolved much I think in a sense that one of the things we have had always since the beginning we don't put more than 10% of asset into a single position. And one of the reasons that I don't like to talk about portfolio investments but when you have four stocks that are sitting at 57% or something then I think the investor should be aware of that. So, the style hasn't changed I think what has changed is that just because we got these different companies that have shown up, the way the portfolio looks today it looks quite different from the way it did in past years.

And another change that has come in and I think probably in the last few years is that we rarely held things for more than three-four years. Usually the game was basically, buy an underpriced asset wait for it to get close to full price and then move on. I think what I've realized is that if you have great managers they can keep moving the bar and what is full price? And so, we have seen that with Fiat, I think Fiat when I first invested I thought we would get 5x in five years and then move on. We are past five years, we are past the 5x but we are still there.

Even with Rain I thought we would get five times our money and move on. And the elements of the business that are commodity business but so I think that the one change that I have learnt to give things more run way than I would in the past. But beyond that there's not much of a change and the check list doesn't change there's a lot other than keep us out of some trouble that we would get into without it.

Q: Hi Mohnish good to see you, my name is Pallavi and you and I met in Puerto Rico and I don't recall how long you were there. But my question is more in general what did you think about Puerto Rico as an environment for doing business, what are the good things and the bad thinks other than the hurricane? We've been there four and a half years now the hurricane made it harder but I'm curious to hear your opinion about it?

A: No, actually I was excited for us to have our operation in Puerto Rico, we built a nice team there and we had access to some great tax breaks and such. So, on a number of fronts I think it made a lot of sense I personally liked everything about what we had seen and quality of work force and quality of infrastructure is the best in the Caribbean. And for us I think the issue become that it was more about the mother ship Dhandho holdings going in a different direction. So, when we decided that we are going to unwind Dhandho holding which was a whole reason to set up operations there then part of that was obviously that the team was going to be let go, the office was going to be closed and we were going to start unwinding all the different pieces and that's what we did. So, I think if Dhandho had continued, then our San Juan operations would have continued probably grown as well.

And I think we were little bit I think lucky in the sense that I think we purely by luck or by accident we had completely exited San Juan before the hurricane came in. And so, I think we would have had a difficult time right after because there was the island lost power and it was difficult to operate. So, I think we would have some difficulties. I am sure we would have overcome them but I think it would have been difficult for a few weeks or few months at least. The other thing that I think worked out well, was that our entire team got absorbed by other companies very quickly so it didn't really have any issues on that front.

But I think Puerto Rico needs changes in a number of laws. So just one example, for example is that minimum wage is imposed on Puerto Rico, US minimum wage is imposed on Puerto Rico and that US minimum wage is many times wages of the neighboring countries. So, from a competitive point of view it is uncompetitive and the minimum wage also the welfare payments that get made to Puerto Rico in many cases exceeds the minimum wage. Most of the island's population earns a minimum wage and the reason they earn a minimum wage is because that's the minimum that is allowed to be paid. If hypothetically they were no minimum wage in Puerto Rico, employment would sky rocket and welfare recipients would go down quite dramatically and it would get more competitive. The other issue like the Jones Act where it requires US built vessels so it costs a lot more to buy a car in Puerto Rico than it does in the mainland.

So, on a number of fronts I think that Puerto Rico has its hands tied behind it's back in terms of the policies and hopefully at some point these policies will change but and of course as a result of hurricane they have got a negative population growth. So, people are moving, I mean they're still moving everyday to the states. The people moving are the best people so that's always a negative for a country where the very best people leave. We had recruited from the top engineering school at Puerto Rico, I was blown away with quality of the talent. And these young people that came to work for us none of them are on the island, every single one of them has left. And you cannot have a place lose their best and brightest and do well. So, there are a lot of structural issues but I love the place.

Q: Hi, Mohnish! this is Kevin Truit, we met when you were young. Anyway, I've detected three things here in terms of the I guess your modus operandi. One you're talking about the quality and the management and then you do the way the portfolio configured are perceived to be deep valued and quality businesses. My question though is, when you're betting on the Jockey as Charlie likes to say, what are the characteristics for you that define or that you attribute this like Sergio, what was it that you saw in him and the various others Jockey's that you bet on that made you pull the trigger on those investments?

A: My initial interest in Fiat was more because it was a business with over $120 billion in sales with a market cap of $5 billion. So, it was very cheap and it looked like it had an interesting jockey and a lot of tailwinds. In general, a lot of things changed with the car business after these companies went through bankruptcy because they got rid of a lot of their problems. They renegotiated the union contracts. They got rid of a lot of underperforming dealers. But when you look at jockeys I think that in each case, it is different. I don't think there is a formula.

If I look at someone like Sergio it will be very hard to find I think jockeys at Sergio's level. So just to give you some examples of these unusual things that Sergio is doing is that I have seen videos where some UAW official is introducing Sergio to give some talk to the workers and the guy is crying as he is introducing Sergio. When he embraces Sergio, he is not willing to let him go and this is like a 300-pound union guy doing this. Even last week we had a, there was a memorial that took place in Turin and large number of workers showed up to say goodbye to Sergio.

The thing is that Sergio used to spend about two months a year, I mean I think he worked seven days a week. But an incredible amount of time tracking the top 1500 leaders at Fiat Chrysler and meeting them one on one and charting their career paths. He said that not only are his successes in place but his successors' successes are in place. I mean for a person who is running this global business I think he spent at least 40 or 50 days a year just on jets going all over the world, to spend that much time grooming and nurturing leadership. He left a very deep bench.

There were like five people who could have become CEO and I think the next layer and the layer beyond that is there. I think that type of leadership is few and far between. I don't see those attributes in some of the other companies that I see that have great leaders. But those other companies also don't have the scale of operation that Fiat Chrysler does. Thankfully they don't need a Sergio to run those. It is not easy to recognize great leadership. I think the best way to do it is the way Buffett recommends - which is look at the past records. I think that the best way you can determine whether you got someone who is remarkable is not to look at what they are saying they will do but what they have done.

If you go back and look at Sergio's record even before Fiat Chrysler, he has compounded at 27% a year from the day he became a CEO. He stepped into brand new industries repeatedly and did exceptionally well. If I look at someone like Jagan Reddy at Rain, he has built something of incredible value from almost nothing. All these leaders are different. They bring different things to the party. You can't have a formula but I think you can look at the record and then try to figure it out.

Q: John Bank Chicago, Mohnish! my question concerns Rain Industries and your due diligence process. I have read the write up that you had send the link too and one of your quarterly reports and it was way beyond my circle of competence. My question to you is was Rain Industries initially within your circle of competence? How do you get your arms around it? How did you verify the facts that were in the report?

A: That is a good question. Rain was classically what I would say heads I win tails I don't lose much. If I looked at Rain the way it was structured is that he bought about another whole billion probably 1.2 or 1.3 billion-dollar US asset in revenue completely on high yield debt. The debt was secured by the asset that he bought. That was the first asset. When he bought that first asset which was Rain carbon, it was completely insulated from anything else. They had operations in India which if this purchase blew up for some reason there would be no worse off than before they did the deal.

The first one, the structure of the deal was that the entire debt was non-recourse. It was recourse only to the asset and nothing else could be touched. I actually did check that to make sure I went and looked at the bond indentures and such. One of the first things I looked at to make sure that was actually the case. Then the second asset he bought which was about 700-800 million in revenue in Europe by that time the first asset had performed well enough that they had paid down some of the debt. On the second asset they put no debt and they again put the entire debt on the first asset to purchase the second asset. Now he owned two large assets plus his India operations.

The second asset was completely debt free and no matter what happened now all he could lose was asset number one. That again was very smartly structured. The third thing was that he is the lowest cost operator. When everyone in the industry has gotten pneumonia, he has got a small cold. When everyone else is losing money, he is making a little bit of money and almost never does he get to the point where he is losing money because then the rest of the industry is shutting down a lot of the capacity at that point.

Basically, low cost operator these two assets were purchased very smartly. I looked at the situation about what happened if things blew up. I couldn’t get to a point where if things blew up we would lose money because we still had the second asset free and clear and we still had the India operations free and clear. What we paid for the 200 million market cap was the value of the Indian operations. The remaining what I thought was probably a two-billion-dollar value we were not paying anything for. The way I looked at it as there was uncertainty, there was a lot of uncertainty about when these earnings would come in, whether these earnings would come in and how it would transpire. But he had a number of arrows in his quiver to make it happen.

It was basically a public LBO so you had these highly leveraged assets. As the cash flows were coming in he was paying down the debt. At some point he was likely to get a chance to refi and that is what happened. Originally when these two assets were purchased the interest rate over ten percent and now their interest rates around 5%. Not only have they paid down the debt, their interest rate have gone way down. The way I looked at it is that if things don’t work out, there was a chance they may not have worked out, we atleast get our money back.

I said, "The moment I get 5x, I am out of here." Okay I just want to get my 5x and move on. You learn about a business after you own it. As I started to understand the business better and better and understand the CEO better and better and in the last couple of years what has happened is a lot of the competitors have shut down plants, gone out of business. At the same time what can I say Trump happened? The biggest tailwind that could have possibly happened to Rain is the Donald. I don't know how many Donald supporters there are, but God bless the Donald because he has been a massive tailwind to Rain.

The Donald imposes tariffs on aluminum. They are like a monopoly supplier I mean the US aluminum industry would shut down if Rain didn't exist. There are many Alcoa plants in fact many of them are being started now, restarted now. What happens is when Alcoa is going to restart a plant one of the first things they do is they call Rain and they say, "Can you supply us?" If Rain says no that plant may not open. It is an oligopolistic supplier of a critical set of inputs to aluminum. The Donald has imposed tariffs on aluminum coming in. The company at this point has tailwind upon tailwind that is, I never counted on all that.

Once I saw that all these things are going on, it is very unlikely that these things are going to reverse. Even if they reverse the thing is that you have got multi year period probably three to five-year periods before you can redo the supply chains and all of that. I think we will sit on this for some time. That was the reason basically where, I think I had no idea that we would get the Donald when we made the investment so that sometimes we get some nice positives that come out. I didn't realize that the quality of the manager.

Rain is moving into advanced specialty chemicals and Jagan doesn't like to make investments unless he gets 50 to 60% returns. The second is that he doesn't like to participate in commodity businesses. For example, they have this new white resin plant coming up in Germany. The quality of the resin that they are going to be producing is significantly above anyone else's. So, it opens up a whole bunch of applications opens up higher margins. There is no disclosure that the company is made on what all of that is. My take is okay whatever we will ride with it and eventually the plant is going to be up and running and some of that number will become visible.

Q: Don Samuels New Jersey. It was my understanding that Sergio knew that he was sick for about two years.

A: One year.

Q: One year. What responsibility and what obligations do the CEO have to disclose that he is terminally ill? What responsibilities does the board have to disclose it?

A: I think that is a great question. I think Sergio knew about a year ago that he was in serious trouble health wise. I think he made the decision that only very few immediate family members would be told. In fact, he didn't even inform John Elkann. They were very close friends and John was Chairman of Fiat Chrysler and his boss. I think it is absolutely clear that if anyone at Fiat like John Elkann knew they would have had the obligation to disclose, no question. I think the thing is that Sergio probably made a call that, there is, you are balancing between the public's rights to know, the investors right to know with the privacy of the individual.

You are balancing those two facts. I think Sergio's perspective was, "I have this 2018 plan I want to deliver. I really don't want distractions. They are telling me" I think, my guess is, I went back and re-read the transcripts of the calls after the date that I thought he knew and the fingerprints are there. What he did is for example something very unusual is that in September of last year he said, "We are going to have an investor day and keep the first six months of your calendar empty okay, six months." But I think he didn't know how long he has.

I think in January they published a date for that investor day meeting. He went into the hospital about four weeks after the investor day and he passed away seven weeks after that. At the investor day he was repeatedly asked that, "Why are you having this investor day giving us this plan without telling us who is going to run the plan?" It was very unusual. What I would have expected is that this 2018 plan ends you present a new plan with the guy who is going to deliver the plan. But they delivered just the plan without the successor. He got a bunch of questions at that event that, "This is very strange. You are telling us you are going to deliver all these things but you are not going to be here to deliver them."

But I think what he wanted to do was, his perspective was, "Nothing is going to be helped." This I think probably, well I'm guessing what Sergio thought. Nothing is going to be helped by him disclosing that he has a problem. He was going to drive 10000 miles an hour in the last year, push the company as much as he could, put the plan in place and already knew who the successor was. Let us say for example nothing happened to Sergio, in 2019 he retires and Mike Manley who is the CEO now becomes the CEO.

That is one possible outcome that could have happened and the company would run a certain way if that happened. A second way that things could have happened is Sergio himself didn't know that something was going to happen to him. Suddenly he has a health problem and he pass away which is what people thought happened is that suddenly he died and nobody knew. In that case a successor like Mike Manley probably feels more weight on his shoulders to carry on his legacy. That is the second outcome. The third outcome which is what we are looking at is the he is a martyr.

This is a guy where people tell him that you have got a year to live and he has 100 different ways he can spend the year. He decides with the 300 or 400 million net worth in Fiat stock, "The only way I want to spend this one year is driving this company full on." He deliberately made that choice. His successor knows that. First of all, I think it is an incredible act for a manager to do. But I would say if I was the successor of Sergio knowing this reality I'm not going to let him down.

It is not just the CEO but the entire team down to the workers on the line who now feel that they cannot let their martyred leader down. I think Fiat Chrysler in my opinion as far as car companies goes is on a different planet. It is already number two in terms of margins. It will bypass GM but it will soon become number one - unheard of for a company that they almost let go in 2009. I think the answer is that if anyone else other than Sergio knew they had an obligation to disclose. If he is not telling anyone then I think we should accept it. It is what he decided to do.

Q: This is Keith Smith from Ulster, New York. I had a question in regards to the Dhandho portfolio what are your plans to, are your plans at some point to liquidate that or are you going to because it seems some of the holdings you have are more or long-

term holdings? I wouldn't mind personally if you decided to hold it in there but I want to find out what your plans are for that portfolio within Dhandho?

A: That is a great question. The idea is that if we find things to do with money we will put it to work. At the same time, I think that, I know that we have payments coming from Francis and we are not finding a whole lot of places to put things to work. We are overdosed on Fiat in that portfolio so we will keep that. We have a few things that we really like but I think that we can, for now what I know is we can push out $15-30 million without really selling crown jewels. That is what I'll do. We will push out the $15-30 million and a year from now or six months from now we will take a look again.

Because at that point we have returned about 60-70% of the capital to the investor then basically if I have, let us say for example if the money were in Fiat, Rain, Sunteck, Kolte let us say those were the holdings, I would tell my investors, "Listen let us not rock the board at this point. Let this run for some time." Again, we would again say that, "If you do want to cash out we can cash you out." When we went through this last time some people decided they didn't want to stick around for the ride had they moved on and that is fine. So that is what we will do.

Q: Hi my name is Niresh and from here. My question is growing your Indian investments I know you have a checklist for US investments. I wonder do you have any additional items in your checklist when it comes to Indian investment in Fiat. What are the major differences between your checklists when this comes to investing in US versus when it comes to investing in India? Thank you.

A: I think one of the good positives of investing in India is almost pretty much across the board, not entirely but across the board the manager or the manager's family has a large stake in the business. There is a very deep alignment of interest and some cases they own three quarters of the business. Incentives are very strongly in place which is great. The negative is that in India we have plenty of fraud and we have plenty of questionable management teams and with questionable agendas. The only difference I think that comes up for the most part within US and India which is why I try to meet the Indian businesses is to try to side step the frauds.

I have been in the room a few times with the frauds. I think in the last 18 months I have met about 190 listed Indian businesses either visited them or met the CEOs. In some cases, surprisingly, the frauds tell me exactly how they run their frauds!

The positive is that we have lots of alignment of interests because these are real owners, which is great. The negative is that some of them don't understand that you actually make the most money by being the most honest.

But that is getting better by the day but that is the main thing. I don't think so far even if I go back to the beginning of Pabrai funds, we have lost a lot of money because of stupidity, my stupidity. We have never lost a dime because of fraud. That hasn't happened yet and we will see. It could happen in India. I don't think we have any frauds in the portfolio. But that is one of the first things I'm trying to figure out is that the very first thing is, Am I dealing with high quality honest people? That is the baseline. If we can't get a resoynding positive answer to that then we are not interested.

Q: I'm from Rockford, Illinois. Mohnish what is your take in some of the upcoming technologies, AI; block chain and robotics and automation in general? Do you agree with some of the fear that it is going to be a job killer for a lot of different industries?

A: First of all, these are generally areas where it is from my advantage point very hard to invest. They may have huge impacts on our lives and society but it is not obvious which candidates are great to invest in. I think the bigger issue is not so much, the jobs or society I think the bigger issue is wealth polarization. I think we have already seen that where, because we are moving more towards IP based industries and heavy tech-based industries. I think that in general the polarization of wealth will get extreme. I think it will get extreme because ownership of those winners will be very concentrated and the people in those industries will do really well.

The gap between the haves and the have nots, in my opinion that is a much bigger societal problem. I think the jobs are not so sure because we have gone through. I mean the US we used to be 90+% in agriculture. Now we are less than 2% and everyone is still fed probably way better than they used to be before. The economy adjusted and none of those people really end up unemployed. We have seen the same thing with the advent of computers and such where you used to have these banks of telephone operators and typists and such and those went away. Unemployment did not rise.

Clearly what we have today is we have large numbers of unfilled jobs with very specific skills that pay very well. At the same time lots of people cannot be discouraged for entering the work force because they don't get paid much. I think from my investment point of view, these areas don't have much interest appeal for me because I don't think, I can tell obviously who the winners are or where to invest. Or even if we can, whether we can find those companies at our beloved P/E of 1 level.

Q: Aden Shade from New Jersey. You said there is a 10% cap on the Indian holdings imposed by the government. Since you have many funds when you find an idea how do you decide how much India fund will get versus your Pabrai funds? What the question I have is do you also clone in India as well like you clone here?

A: Cloning is very good for your financial health globally. So yes, no problem cloning in India as well. I would say Rain Industries is a cloned idea someone else sent it to me that is perfectly fine. Yes, the 10% we have disclosed that when we find an investment idea Pabrai funds goes first. Within Pabrai funds usually the smallest fund will go first.

Q: Thanks. This is Sachin from New York and I was wondering do you think about your hurdle rates investing in the Indian funds differently than you do about your hurdle rates in the Pabrai funds? Maybe you are thinking about the error rate or the risk in India potentially could be higher.

A: I don’t really see much difference when we look at companies in India and we make investments versus companies elsewhere. I think we look at them pretty similarly in the terms of what we are looking to get out of them. I'm not particularly thinking that I need to get a higher return from an investment in India than I do elsewhere. We are very rarely interested if we cannot see at least a double.

Q: Hi Mohnish! Dave Cornet from Ohio. One of my favorite memories of working with you over the years was at one of the value investing congresses. We just sat through this big presentation like how one of the smartest guys in the room in which he shared his thesis that the Chinese economy was about to crash. I think you will probably remember that one. At the break you said “Dave. This is bull."

With that being said in this environment that we are in today where the rhetoric is so hot and discussions about an escalating trade war. I'm worried about inflation and the impact that a tit for tat situation could come to bear. Do you think about pricing power in the portfolio companies either their ability to withstand a higher inflationary environment or their ability to pass on their rising costs to consumers? Is that something that concerns you today?

A: I think the way I look at it is that I tend not to overdose on macro. For the most part I think investors are better off focusing on the business and the new ones is related to the business versus the broader economy or global economy. In general, micro events will tend to trump the macro events. For example, if I look at something like Rain Industries we talked about whether the guy bought the right asset at the right price is 90% or 95% would have determined the outcome versus almost anything else that happens.

The focus I have is, have I understood the business and do I have a decent handle on where this business is headed? If we have got those things right, the rest of it won't matter. I think things like inflation, I mean they become really hard to figure out.

I think at the end of the day if you are right on the businesses it will work. If you are not right on the businesses it will not work. I tend not to think in those terms like, I mean I would say that, recently we looked at a business in Turkey. We haven’t invested yet but it looks interesting it looks actually very interesting. In fact, I think either Fahad or Fahad and me might be heading in Turkey in a week or two. There are a lot of things going on but the core assets of these businesses are incredible.

Q: Thank you for taking the question. My name is Naren Naik and I'm from Lowell, Massachusetts. Travelling to India eight, 10, 12 times a year is physically demanding I would imagine. If that is the case do you see yourself having the drive to be able to do that over the next two, five years or longer? If the answer is no how do you see the long-term future of the Dhandho India fund going out?

A: My India trips are quite enjoyable. Usually in a week I will see between 10 and 30 businesses. It is business school on steroids. It is actually incredible in terms of the learning and I think the “professors” I have are some of the best professors around. You couldn't hire these people to spend an hour with you. In some cases, they are billionaires.

If I make the trip to Istanbul I think probably, I would probably see at least 10 businesses in the few days. And it will be incredible to get a lay of the land there. I would like to continue that.

Q: Thank you for taking the question. My name is Evan I'm from Columbus Ohio. My question is you gave a lecture at Columbia Business School a few months ago and you were talking about the 10 commandments of investing or being an investment manager. The video got cut off after two. I was wondering if you could repeat the other eight.

A: Actually, that video only got cut off by a minute at the end so you didn't miss eight commandments. What happened in that lecture is that I was coming up with commandments on the fly. What has happened since then is I had a conversation with God and God told me, "Listen this guy Moses, I gave him the commandments but he dropped the tablet on the way down and he just made it up. All of humanity is following the wrong commandments." God after Columbia gave me the 10 commandments the true 10 commandments. So, what I decided is that because God told me that, you know I’m going to speak to students at Boston College later this year – and to focus on the real ten commandment in that talk and post it on YouTube.

(Here is the link: https://www.youtube.com/watch?v=9tGjXPhnp-s)

Q: Hi Mohnish I’m Peter from Chicago, I was wondering if I could ask you what books you’ve been enjoying recently? I love hearing your book recommendations and also because I didn’t realize I was going to get a twofer here. I didn’t know Guy was going to be here so maybe I can ask him the same question, thank you.

A: You know what you should do, is first ask Guy what books he’s high on. Can you give him the microphone? Excuse me just pass the microphone over here. Guy, on what book are you really hot and heavy on?

Mohnish is going to love this, there is a book that I think is really profound that landed, I don’t know when I ordered it but it came and I read it. And for half the time I thought I didn’t understand what I was reading and the other half of the time I thought this is the most profound thing I’ve ever read. It’s a book called Finite and Infinite Games and it’s got nothing to do with game theory, it’s got to do with how to live your life. And I find it very meaningful so far Mohnish has read 50 pages he thinks its complete garbage but…

A: what I was told, when I was told to read this book, and I'm trying to, it is very painful trying to go through it. I was told that since the printing press was invented, nothing better has ever been printed. So Finite and Infinite Games is Guy’s top pick.

Okay, So I would bet that either you wouldn't get past the first 10 pages or you'll fall madly in love with it like he has.

Yeah, I think in terms of in terms of books I'm am reading Well, I think, one of the books I think I read recently a book called Financial Shenanigans. And it's an old book, but they have a new edition. And then I got an email the other day from the author. And so, I'm supposed to speak to him, I think next month, so that'll be great. And then another book I'm reading, which was actually a Bill Gates recommendation is, it's called The Grid about the electric grid, which is also pretty good. So, these are the things I'm and of course, you know, finite, infinite. So, Don had a question here? Yeah.

Q: I'm going to revert to one of your previous statements about Turkey buying it, you know, a penny on the $1 or 15 cents on the dollar. My understanding is the geopolitical risk in Turkey is extremely high. So how do you build that into your equation?

A: Yeah, so I think that if you look at, for example, let's say Brookfield asset management, you know, Bruce Flatt in Toronto. So, they're usually buying I mean, their modus operandi is to buy the very best assets. Let's say they're buying office buildings, they want to buy office buildings in the 24-hour cities of the world. They want to buy them in the most prime areas of those 24-hour cities, and they want to buy them when no one's interested. And they've done extremely well over the years. So, for example, today, he is focused on Argentina, Brazil, and India. And I saw some of the properties he bought in India recently, and the Indian real estate sector has been going through some turmoil. And at the end of the day, like, for example, after 9/11, he was buying all around the towers that went down. And such so I think that at the end of the day, the question I would ask ourselves is, because the bar will be high on Turkey, you know, it's not Orange County, and so, the bar would be that, we've got turmoil, and obviously, everyone rushing to exits, does the asset get past all that? If it does, we, look at it, if it doesn't, we won’t look at it. So that's what we will do. So, in this particular case, I don't want to go into a lot of detail, but I think at least what I've looked at so far, very hard to see that we don't come out ahead.

Q: Yeah, my name is Darren from Chicago. I'm just curious, you know when you look at like, places like India, right, we've also got currency risk, how do you think in terms of, the rate of return that, you'd want to get? I mean, do you also hedge against currency risk, or is that not part of your calculations?

A: So that's a good question. The Indian rupee would be very expensive to hedge, first of all, so we don't hedge it all. So, the Indian rupee if we go through long histories, probably weakening at the rate of like 2% to 4% a year over time, if you go back and look at it and it will probably continue at that pace. I think for our investments, it's almost for sure that the rupee will be weaker, I mean, we can five years than it is today. That's almost a sure conclusion. But I think that if we are right on the businesses, it will not matter much. What I'm concerned with is, are we right on the underlying business.

Q: Hi, Argent Tasia from Toronto, Canada. You talked a bit about buy versus hold decisions in a few of your videos. I just want some more details on that. Because my thought was when you said that they are different. So how would you think about someone who's raising capital? Because from a client perspective, that point becomes a buy point of that particular stock. And secondly, even if someone is not raising capital, it's a hindsight, do you think it's a hindsight bias that because currently not changing is that in a way deciding to buy so if you are not deciding to sell, you're indirectly deciding to buy. So that would say that buy versus whole decisions are similar decisions and not different decisions?

A: I don't think I've ever considered portfolio decisions in connection with fundraising. I think the two are apples and oranges, nothing to do with each other. So, I don't think one should ever try to quote unquote, please investors, probably a bad idea to try to do that. So, I think whatever the investors are thinking, I think, I'm not really particularly concerned. I think what I'm concerned is are we doing, are we making the best decisions, and I think on when I look back, personally, I have done a terrible job in terms of selling.

I think selling is a lot harder than buying. And I think many times, we've sold too early. I mean, I used to own I used to own Amazon at $10 a share in 2002, right. And we sold in 2002 as well, at a nice gain and we moved on. So, I think selling is very difficult, and it is still a work in progress. I would say, historically, we've been, I think, too quick to pull the trigger. I think that when you find yourself owning a fraction of a great business, it's usually a mistake to let go. I think even if I would love to have a conversation with Warren today about Coke, for example, you know, I think he might have said that, yeah, maybe in 2000 or 2001, we should have sold but I wonder what he would say today. You know, I think probably today that calculus changes again. What the investors are thinking is not part of the equation at all.

Q: Hi, my name is Arvind Singh from Chicago; we've been investors in the PIF2 fund since 2003. Two things that I've heard you say over the years, which I think is changing now is that you rarely ever met the managers personally. You always said focus on the underlying fundamentals of the business, and that's changing significantly now. I understand the reasons for doing that for overseas companies. But the second piece that I think you're changing is the concentration of the stocks in the portfolio. So how do you think that's likely to impact the future returns? Or are you going to get more caught up with the individuals versus the fundamentals in the business? Is that going to likely jade your decisions?

A: Yeah, I think the concentrations have not changed. I think we have always had a 10% limit on what we are willing to invest, one stock in the portfolio, what has happened is that many of our positions have gone up quite a bit. And so, we have never really been interested in trimming a position because it became a large portion of the pie. And so, we ended up today more concentrated in the past, not because of any change in the buy rules, that, that just happened, because these things that become multi-baggers and we still think there's room to run on those, that's why we haven't sold. So, I think on that front there is no change. But I did want to which I will be presented; I did want investors to know that the portfolio is concentrated and if you don't agree with that, we have a redemption date coming up the end of every year.

So, you know, people who say that I don't like this, Well, the only thing I can say is that you can probably get off the bus that not that far from today. The other thing is about the meeting the businesses, you know, for most of the time, I had Pabrai Funds, I never met the companies. And I think the one of the reasons, I never met the companies in the US which they were investing or in Europe is that the odds that we would lose money because of fraud, or as close to zero as you can get. And it has never happened. I think in almost 19 years, more than 19 years, we've never lost money because of fraud. We've had investments not make money because I made a mistake, but not because of fraud.

I could continue investing in the US on my arm chair. And that would work. I don't think that will work in India at all. So, I don't think we can, we can do that. And the second reason why it wouldn't work in India is in general, the Indian businesses do a very poor job of explaining the business. I was telling one of the Indian CEOs recently I said, you know, the annual letter you wrote, which, by the way, you didn't write, I don't think you even read it. He said, you are right, I have never read it. But what’s your problem?

And I said, that's the exact concern is that you have no idea what's in that letter. But the thing is, that all of them are like that they have no, they haven't written the letter. Some IR guy or PR firm has written the letter and, and they have signed the name, they haven't even read the letter. And so, I cannot learn about the business from reading the letter. It’s going to tell me nothing. Half the letter’s on macro, it's trying to explain what's going to happen to the economy, what's going to happen, all these things. And, I want to figure out macro I can do it somewhere else. Just tell me about the business. And they letters do not candidly explain the business, where it has been and where it is headed.

Q: Hi, myself is Tawal Palodia from Orlando, Florida. One of the agriculture stock in your market in the Indian market. So, what is your thought process behind choosing the company?

A: Yeah, so we own close to 10% of an agricultural seeds company in India. And I don't want to talk about it. So, I generally don't want to talk about things that we own. So, we will talk about that company when we no longer own it. So maybe in a few years.

Q: Hi, Mohnish!, my name is Atul Shingha from here in Chicago, wanted to talk to you about valuation, and then also the evolving definition of what value is. And so, I have two questions. One you've written in the past about using discounted cash flows, and the search is that what you currently use as you're trying to determine what the value of a company is, are do you use other things price earnings models, earnings growth model, so on and so forth. Then the second is when you look at companies like Amazon or Google, Costco, even Apple for that matter, you know, the traditional way in which you would value it doesn't make sense. And so, you wouldn't say that it was, it would be a value investment, per se, however, time I think has shown that they actually are quite *valuable, and the shares have increase in price. So how has your definition of value and how you determine what value is changed over time?*

A: So actually, the definition on how to value a business is never going to change for me or anyone else. The value of any business is the sum of all the cash it will produce from now to judgment day, discounted by some reasonable interest rate. So, it applies to Amazon, it applies to a Funeral Services Company, it applies to anything; they all have the same method of valuing a business. So that is set in stone, the difficulty lies in figuring it out.

So, if I look at a company like Amazon with a trillion dollar plus market cap, so let's say Amazon has a 1 trillion market cap, let's say, me as an investor, want at least a 15% return on my money, What that means is that in 2019, I need to see 150 billion in owner earnings come out of Amazon. If 150 billion doesn't come out of owner earnings in Amazon that can be pushed out to shareholders, then by 2020, I need 15% on that 150. So, I'm looking at like 172billion, 173 billion in 2020. And in 2021, it probably approaches 200 billion, and so on. So, the further you push out, the cash flows, the more it increases, right.

So, at some point for the investment to make sense, I need to get the trillion back and I need to get this 150 billion a year, if Amazon were delivering to me from 2019 onwards, forever, 150 billion a year, then I can figure out the value very easily. I could use some discount rate, whatever else figures it out, because these things are not easy to figure out, generally, the long discounting back etcetera doesn't work, because in most businesses, I would say almost in all businesses, you cannot figure it out there. There are a bunch of entrepreneurs here, if I asked them what your 2021 earnings are going to be, they have no idea. Okay, so how are you going to know if they don't know?

How are you going to know? So, my way around that is P/E of 1, okay. So, if Rain has a market cap in 2015 of 200 million, and high probability 2018 earnings are 200 million, I don't need to do any more math, because in three years, I'll get my money back, I still have all the plants, I still have an earnings engine, I probably still have the Donald and all those things going on, right. So, it works out. And so, the best way to look at I think to look at it is basically look at, you know, I think, is Fahad here?

Yes.

you know, we were that Turkish business without telling them the name, I think what I will ever remember, I think 2022, they will go, they're going to be earning $70 million US something like that.

Yeah.

So, that Turkish business, at least, they claimed, okay, let's treat it as gospel truth. They claimed, they'll make 70 million; the market cap is 110 million, okay. Plus, they've got other engines which are not yet producing. What I'm saying is that I don't need to do a lot of math if I can get numbers like that. And I have high probability belief in those numbers. So, I think the question is, what are these future cash flows? What are the probabilities associated with future cash flows? Can you get to no brainer level on these future cash flows, and the closer you can get to no brainer, I mean, like when I was looking at these Indian real estate companies in February of last year, it was very funny.

The first meeting out of the 185 meetings I've had in India, the very first meeting I had was with Kolte Patil and I came out of that meeting and I said, they're like 5000 companies here in India, if even 10% of them are like this it’s ridiculous. Because when I was at the Kolte meeting, market cap was $90 million, liquidation value was 300 million, and I think 2022 earnings, maybe over $90 million. We have Kolte math and we have Amazon math. Amazon is a phenomenal business, it's entirely possible at a trillion, it's undervalued. Okay, but the reason it will be undervalued is if we knew those future cash flows, we knew what 2030 cash flows, 2040 cash flows are, and we could discount those back.

Now sometimes, I made an investment in a company in India where we paid an amount of 40 times earnings. Okay, I think we'll make a lot of money on it. But we'll see. But that investment is a lot more similar to investing in Amazon where that business has to grow a lot. It's got all the engines to grow. It is a monopoly, all kinds of things going on. But it has to grow a lot and the cash flows have to come in and they have to distribute those cash flows. All those things have to happen, we'll see if that happen or not. And looks like, I think as I speak to today. I feel very good about that business.

Q: Hello Mr. Pabrai! My name is Ankush Bharadwaj and I am from India, but here from North Dakota. My question is when you are researching a business, do you prefer 10-K or annual report? Because I feel when I'm reading 10-Ks they're very difficult. So just your insight on that.

A: I mean, I think, the answer is both. I mean, I think both are relevant documents. The 10-K forces companies to report GAAP numbers and many times in annual reports, you will see things like adjusted EPS and adjusted EBIT and there are a lot of adjustments which may make sense and also not make sense. And so, I don't think you have a choice. I think that if you're trying to figure a business out eventually you look at probably both those documents, but you look at several other things as well.

So, we just don't have a, unfortunately we don't have a shortcut and I think at least in the US, I think the annual reports are somewhat decent. I think when I'm looking at companies in India, I was just joking to one of the CEOs of one of these companies I met and I said, "Not only did you not write the letter in the annual report I don't think you read it" and he said, he says, "Oh yeah, I never read those." So, it was just the natural modus operandi that some PR or IR firm basically writes the letter and it doesn't really describe the business. So those are very useless documents, I find, but at least in the US we get some semblance of the business in the annual report. And more CEOs, again it's the same problem, they don't really write those letters. I think in some cases we get some great letters. I think obviously from Buffet, we get phenomenal letters, even some like

Jamie Diamond, etc. are pretty good. But I think you have to look at those and probably several other documents.

Q: I am from San Clemente. Thanks for hosting. A question on perhaps maybe some other managers, you just named Buffett and Jamie Diamond but other managers that you think are very high quality that have perhaps thought definitely about different industries when they come in and change the dynamic there where you could have significant value creation just because that manager thinks differently than the institutional imperative.

A: Well, I mean, I think if you look at the largest Businesses in the US and you just go back in history on those businesses, I think in general you'll find that they were incredible leaders across the board because they couldn't have gotten there. So, you could look at Google, look at Walmart, you go look at Nucor. I mean, you could just go up and down the chain there. And so, I think that we see plenty of good managers. Of course, the problem we run into is, sometimes we can find good, even great managers, but usually they're not, they don't come with a great purchase price. So that's usually the difficulty. I think that if the game was purely about finding great moats and great managers, I think that is not that hard to do. I think, you can identify a number of great businesses. In some cases, there are these bulletproof businesses where the manager doesn't matter.

I don't think it matters so much who is running Visa, Mastercard or Coke. I think if you look at the history of coke, I think probably 60 years they were mismanaged out of their 130-year history. At least half the time they were mismanaged, but it didn't matter. I mean the business is so good. So, the first thing which is the holy grail of investing is try to find an incredible moat that is impregnable and doesn't need great management and hopefully one that has not been discovered by the planet. That would be the ultimate if you can do that. Those are very rare and hard to find. And then the second I would say, step back from that is, which is a good moat with a great manager, but also then tied with a great price. And again, those things I found that become difficult in the US, I think in India I find more inefficiency in the markets where we can, we think we can do a little bit better.

Q: Jim from San Diego, I'm actually asking this question on the behalf of Dave who's stuck in the middle of the row there but his question is, have you found your version of Sergio in India yet?

A: Well, I don't think we'll find another Sergio. I think there's only one Sergio. I just think that Sergio was a very unusual manager on a number of fronts. I mean, I have never seen a UAW leader introduce a CEO of one of the big three auto companies and start crying while he is doing the intro and then he embraces Sergio. And this 300-pound guy is not willing to let Sergio go. I mean, the thing is that you get into things where you have lots of animosity typically in labor relations and he got past that. I mean, he got past a lot of stuff that most leaders couldn't get past. And the thing is that, I mean one time I think another fund manager was telling me that they were having dinner with Richard Palmer who was the CFO, is still the CFO of Fiat Chrysler. Richard Palmer basically said at dinner that "If someone shot a bullet at Sergio, I'd dive in. I will take the bullet." So, I don't know how many companies you can think of where the CFO is going to say, "Hey, if someone is trying to kill my CEO, I'm going to take the bullet and be willing to die." So, the thing is you're getting into some very unusual type of characteristics in the leader.

And so, I don't think we're going to see another Sergio which is very sad. We all knew that Sergio was leaving next year. He had planned to leave and I think if he had normally just left the company, I think Fiat Chrysler would've done really well after that. But then you'd get to the next level which is he passes away and I think when he passes away it creates a much stronger impetus on his successors. But then the third level, which we now found out is that he knew a year ago that he's going to pass away. So, he knew and he never told anyone, just his immediate family. And so, if you think of, I mean, I think July, 2017 probably is when he knew that he was in trouble health wise.

You think of a guy, he's worth 400 or 500 million. What's on his bucket list? Well, the only thing on his bucket list was to run Fiat Chrysler as hard as we could in the last 12 months of his life. And he just ran full out. So, he repeatedly kept saying in the last year, I went back and looked at the transcripts once he knew he was in trouble. That he wanted to deliver that plan. And you heard what he said about the quality of the successors he'll leave behind. So, I think that from my vantage point, Mike Manley, who is the CEO, I don't think Mike Manley is working for money. The money's irrelevant.

Mike Manley is working for a cause and it's a cause driven leadership. So, I don't think you can compare Fiat Chrysler almost to any other car company. I think they are on a different planet. They're already getting to the point which is very remarkable. The margins that Fiat Chrysler is now generating is the highest amongst all the top three. It's blown past Ford. And very soon it's going to go past GM. In 2009, the US government in a 3 to 2 vote barely decided to keep it alive. They wanted to let it go. It just barely made it. So, you take a company that you're willing to liquidate and now that company is basically outperforming all the other guys. And so unfortunately, we're not going to see another Sergio.

Q: Just one question. So, do you have any thoughts about Tesla and the sustainability of that business? Elon Musk has been injected himself into the news a lot lately but the stock has taken a dive of what? 30% in the last month. So, I think you know more about the car business than any other hedge fund manager out there, so I'd like to see your thoughts.

A: First of all, I think one of the great things about the US I feel is that a person like Elon, the American taxpayers, did not pay for his education, K to 12. So, he came as a finished product from South Africa to the US and a tremendous asset to the country. Just incredible asset, I mean just in terms of what he's built and done. I mean, I think if you just look at what Space X has done is incredible, those two rockets coming down at the same time. I think in terms of ability, genius, leadership and ability to drive, I think on many fronts Elon is off the charts but like Munger said, it's very dangerous and a person has 160 IQ. I think he's at 180. Elon made a comment recently that from the beginning of time till now, there are only two auto companies in the US that haven't gone bankrupt, Ford and Tesla.

And basically, I'm not sure Tesla is going to make it. I don't know. I think Elon acknowledged that Space X is almost a cakewalk compared to the car business. The car business is a really hard business. It's not an easy business. I think his execution, given that he's entering this really tough industry, is exceptional. I think he's moved the needle for the industry. Electrics are all over the place now because of him. From my point of view, I don't need to be right or wrong on Tesla because I don't have a long or short position and I'm not going to have a long or short position so we don't, this goes into two hard pile, right? I mean, for curiosity sake, we could have a discussion. So, if you put a gun to my head and said "You have to tell me whether they're going to make it or not." I'll say they're not going to make it but I don't need to make that call but I also feel that he has done a lot. I think the country has benefited incredibly. The space program has benefited a lot and I think that he has inspired and motivated lots of, especially a lot of young people, which is great. So that's wonderful.

Q: Thank you for that bike ride today. That was great. Appreciate that. I have a question regarding to Fiat Chrysler. You've touched on it a little bit about management and why you feel that they're exceptional. But the car business is cyclical and has high capital expenditures with high competition and is very, very difficult. You just touched and talked about Tesla. Can you talk a little bit more about what gives you such a high conviction about this company and potentially what pitfalls could derail that?

A: That's a great question. So, I think that if I look at our Fiat Chrysler position today, the stocks at 17 so we will probably get somewhere between $5 and $7 per share back when this Morelli spinoff takes place. So, we are left with, basically around $10 to $12 a share. They are about to start a financial services business which they haven't had, which actually ties their hands behind the back. So that business, between what it makes and between the synergies with the car business, it will add somewhere between a billion and 2 billion to their bottom line. So that's a very significant addition and that business is not cyclical. That should get a higher multiple than the regular car business.

And the one thing with the car business is that if you look at a company like BMW for example, so BMW, now they have a plant in the US, but they used to only manufacturer in Germany. And highest labor costs on the planet and highest margins on the planet. So why did that happen with BMW in this tough business? Well, because they created products that people wanted and people were willing to pay up. So, the car business is an interesting business where in the mass market of cars, I think that's a terrible business because you're making maybe $1,000 or $2,000 per car, consumer taste driven. You have to make billion dollar bets many years in advance before you get to the market. Market may shift. Fiat Chrysler specifically has exited all those businesses under Sergio.

So, they don't make Sedans and they pretty much got rid, I mean Sergio got rid of every business they had, almost every business they had where the margins were low. And so basically if you look at the north American footprint, they got Jeep, they got RAM, they got the Pacifica minivan, all three across the board, very high margins and in protected markets somewhat in the sense that they have to screw up. I mean the truck business, you've got three players and you've got 25% import duty coming in so the truck business is not going to change. And the same in Maserati and Alfa, you've got a interesting thing. So, for my point of view, I think that you have to peel the onion a little bit in the car business and given that their earnings per share that they have put in paper on 2022 with they're martyred CEO, that earnings per share is going to come in north of $10 a share. And if I'm sitting on $12 stock. I think nothing is guaranteed, but the odds are really good.

Q: Michael Weiss from Los Angeles. a follow-up to that question. Do you assign any risks to the rapid adoption of autonomous vehicles? Is there a shift in the ownership model where people share rather than autonomous vehicles that's never used?

A: We will not see level five autonomous vehicles, I think in at least 15 years. So, level five means I get in the backseat and say "Take me to my grandmother's house" and it gets me there. That's not happening. So, level four is you can get to autonomy and control conditions in certain geographies. I don't think autonomy is going to be a meaningful factor. So, I think the issue is that you can get to 99%. You can even get to 99.9% but unless you get to 100% it doesn't work. So, I think Charlie Munger had this comment. He said that some autonomous vehicle is driving around down and there's a guy standing on the road with a gun and the autonomous vehicle is just going to come there and stop because that's what it's been programmed to do.

And if it was a human driver, he wouldn't be driving down and stopped with the guy pointing the gun. So, you get into a lot of weird things and especially in a world where you mix humans with autonomous. So, I don't see that in the timeframe that we would own these stocks that is going to be meaningful. Plus, the other, the second problem is that you've got huge per car costs, which will come down over time, but to put all the hardware in is a huge number today and that number will go down over time, but it'll take a while. I think electrification is real. I don't think autonomy is real for a while, especially in terms of disrupting the business. Go ahead.

Q: Jonathan from Singapore. So, India is notoriously difficult market to navigate. Do you see any specific characteristics to companies which are able to succeed there?

A: Templeton used to say that the best investment analyst would be the wrong one out of three times. So even like the P/E of 1 stocks I presented, I'm not sure, but it could be that some of those doesn't work for whatever reason, but the overall the portfolio still works even when that happens.

I agree with you that India is difficult and I mean I have to take passes on entire sectors just because they're corrupt. But also, that's what makes it interesting because sifting through all of that, you do find some gems and that's what we're going after. And I think that the Indian market is not mature enough to distinguish many times and give a proper evaluation to some of these gems. Whereas I think in the US I find that most of the gems have been picked over.

Q: Thank you for hosting. Vince here from San Diego. To follow up on that question, the gentleman over here, I know you're a bottom up in investor, but perhaps you can educate us a bit here in the US. What are the key economic drivers in India will be for the next five, 10 years or so. And to follow up on that, what's your view on currency fluctuation? How do you go about dealing with that?

A: I think the best thing to do in investing is completely ignore the macro. I don't really have a view on what's going to happen to India or who's going to be the next prime minister or if there'll be a change or what interest rates are going to do or any of those things. I think that the micro will trump the macro. So, I mean, if I look at something like Fiat Chrysler, if I look at, let's say Jeep for example, Jeep used to sell a quarter million units in 2009. And this year they'll sell 2 million units, 8x. Automobile sales from 2009 to today has doubled in the US, but Jeep significantly outperformed the growth of the auto market. And so micro will always trump macro. I think that even currency or exchange rates, I think I really spend no time trying to pontificate on that or figure that out.

I think that it is likely that the Indian rupee over time will weaken. That's a likely situation because it's has a higher inflation than the US does. But I think that if we're right on the businesses, it won't matter much. And of course, if I have a business, like let's say if I have Rain Industries, most of the revenue is in dollars, it doesn't matter. But I think that investors always better off just, it's hard enough figuring out what a business is going to do in the next few years. I think if we try to overlay what an economy is going to do, that's just too hard.

Q: Roger Brown, visiting from the San Francisco Bay Area. Thanks for having us. Really appreciate it. My question is going to sound dumb, but hopefully it'll be entertaining. Buffett is famous for saying our holding period is forever. And when I think about your investing style, it's actually, it's quite different. You're selling stuff and it strikes me. You held businesses like Alphabet, Southwest Airlines that could probably compound earnings many times over the next several years. And so, the question is simple. How do you know when to sell?

A: Well, I think selling is a lot harder than buying. I've made a lot of mistakes, probably more mistakes on selling than buying and I think that Alphabet will do really well in the future. Southwest, probably does really well in the future. I look at opportunity cost in investing. I think that's the only way you can look at it, is that if I am presented with Rain Industry at one time earnings and the only thing in my portfolio is Alphabet, it's going to get sold.

If you go back to the early Warren and early Charlie, they were not buy-hold investors. Today it will make no sense for them, for example, to sell Coke. If I just take coke as an example, the widest, deepest moat businesses you can think of, they bought it in 1988 to 1990. And at that time the Berkshire put approximately a billion into it. And from 1988 to 2000, the billion turned into $12 billion. So, it went up 12x. It was about a 25%, 26% annualized return. It's really good. Plus, dividends, but if you look at it from 2000 to 2018, the $12 billion has turned into $18 billion.

2.3% a year. So, you have a great business. You had held it but it hasn't done anything for you for 18 years. And so, buy and hold I think it's a matter of the opportunity cost, what else you have. And it's not necessarily true that if you buy and hold a great business for a long time that the results will be great. I think what happened in the case of Coke was it got significantly overvalued in 2000 and maybe today it's undervalued because it was at 40 times earnings, then it's at 14 times earnings now. And so, I think Warren even said one time, I think in the early 2000 that probably it's a mistake not to have sold when he had a chance but today I think it doesn't make sense for them because it would go to just cash if they were to sell today.

So, I think that's what makes investing interesting, I mean, I remember I was, in 2000, I think it was in the year 2000, I was visiting Microsoft. I had one very early employee of Microsoft who invested in my fund and he told me, "Listen, if you're ever in Seattle, I can introduce you to a dozen guys who will probably give you money." So, I said, "I'm going to be there day after tomorrow. I just forgot to tell you that." And so, I went and spent a day in Seattle and I was trying to tell these Microsoft guys, at that time it was, I think the market cap was $600 billion. And I told them that there is no chance that Microsoft, powerful Microsoft, will be able to hold a candle to Pabrai funds. So, I said, "Even though you think I'm like some used car salesman here trying to pitch you, you should dump everything and just give it to me."

And I told them this, right. And they are like, "Whatever." So anyway, my friend basically, it was very funny because we'd go into an office and he'd say, "You have your checkbook? And the guy would say "Write him a half a million-dollar check." And so, I said, "I can't collect checks like that. They got to do subscription docs" He said, "No, you just take the checks and then later you do all the paperwork." I came back with several million in checks, which is great because that money did really well for them compared to Microsoft.

But I couldn't convince any of them basically that, and if you owned Microsoft in 2000, first of all it nosedived in a major way after that. So, you didn't even stay even, you just went straight down and it took like 15 years to get back to where you were. And then last couple of years have been pretty good. So, I mean the thing is that great assets being held for a long time, it's really good as long as you are at intrinsic value or below intrinsic value and you're not overvalued. And I think that's where the game gets difficult. It's hard to figure out sometimes, especially, I mean in that case, insiders in this company couldn't see it.

Q: Hi, my name is Lakshman. So first off, thank you for being such a wonderful teacher and we learned a lot from you over the years and all this stuff. Thank you so much. My question is really regarding a larger than life operators like Sergio. I know you've written and spoken about it in the past and particularly when you think about future successors of these businesses. I mean, Sergio had a long history in the auto industry. He got a deep expertise. It's almost impossible to fathom somebody of that quality coming. As somebody who owns a large position, how do you judge the future successors and get comfortable?

Just your own thoughts because as we investors, as you know today, some of the largest and best investment happened to be owner-operator, one of the key themes that I've picked up from you. And I'm curious how you think about it.

A: Well, Sergio wasn't an owner-operator. He was a hired gun and also, he didn't come from the car industry. He picked it up as he went along. So, I think that Mike Manley, I think the guy who's been picked, I mean, he used to run Jeep and RAM and both of those hit the ball out of the park and now he's gotten a lot of bigger shoes. But Sergio watched him for I think nine years under him.

I'd give him benefit of doubt. I don't think he's going to be a Sergio but I don't think it needs to be a Sergio. I think he's got the game plan laid out and he said he's going to march down and execute that plan. So, I think that the odds are that it'll work out, but I think that the valuation is so low that we might make three times the money if he doesn't do well and we might make six or seven times if he does well. So, either way is fine with us.

Q: Honestly, I could ask 100 questions, but I won't. What are your thoughts on Softbank and Masayoshi and his strategy, if you have any? And then also if you mind talking a little bit about GM to, Mary Barra. I know you sold it last year, but where do you think that's gone to?

A: Well, I think Masa is the richest guy in Japan, so he's done something right. And he's an interesting guy. He did an interview with David Rubenstein. I don't know if you've seen that on Bloomberg, but it's a funny interview. I think if you guys have Apple TV, you can look at the Bloomberg Rubenstein interview. That's a funny interview where he talks about meeting the Saudi Prince and he said "I met him" Rubenstein said that, "You spent an hour with him and he gave you 45 billion." And he said, "No, that's not right. I spent 45 minutes with him and I got 45 billion, a billion a minute."

We are not long or short Masa but I will just say that in venture capital in general, a heavy dose of the venture capital will not produce great outcomes in general. And there's a lot of indicators which tell us that we've got probably too much capital in early stage at this time. And so, if you ask me to forecast, I don't think Masa's funds are going to do that well, but whatever the outcome, it has no impact on us.

But I do like him as a person and I think he's done a good job. It is out of, I mean he goes from zero to hero quite a bit. If you track his career, I think at one point he said for a few minutes in 2000 he was the richest person on the planet. And he said, "By the time I actually counted that I was the richest, I was no longer the richest" because the Softbank stock, I think in 2000 went crazy. He went above Bill Gates for a few minutes and then he lost 99% so he went from richest to almost down to nothing. And now he's back, Masa has been through some left and right turns and I think he's got challenges, I think Sprint is a challenge.

Q: This is Neeraj Gupta from San Jose. Thanks for having us and for your time today. So, the question I have is, so can you please delve into some lessons that you got from your father Shree Om Pabrai? What do you pass down to your next generation? What would do you like to pass or like to learn?

A: Well, my dad, I learnt actually an incredible amount from my dad because he ran a number of different businesses as I was growing up and the general theme was that he could start a business with nothing, with no money. I saw him repeatedly go to zero and restart. So first of all, I saw incredible optimism even when he had lost everything many times. And the second is he was able to enter a brand-new industry, brand new sectors that he had never had experience with and very quickly become good at them. I think the if I were to be so fortunate as to have a conversation with my father today, I would tell him that he had probably too much optimism on the way up with too much leverage was his undoing on a number of businesses.

I finished many MBAs by the time I turned 18 because I think after the age of 12 or 13, many times when his businesses were on life support, my brother and I, we would sit down and be like board of directors to try to figure out how to make the business run for one more day.

And then after the day was over, we again sit down, how do we make it run for one more day.? and then after age of 15 or 16, I used to go on sales calls with him and so many times when he traveled, my brother and I would run the business. So, I never realized it then. But if you are exposed to a business, running businesses and all of that in your teen years, it's a huge advantage because the brain is optimized to specialize then.

I think a lot of lessons I learned from my dad, but I'll give you one lesson particularly. So, one time my father had gone bankrupt, one of his many bankruptcies and lost everything and we were living in Mumbai and there's an astrologer who used to show up on Sundays. And this guy was in orange robes and he had all these marks on his head and my dad was an engineer, very rational guy, right? And my dad would sit with him and the guy would tell him all kinds of things about the future. And then my dad would pay him and then next week the guy will be back.

So, I actually went to my dad, I said, "You have got to know that whatever this person is telling you is nonsense, you've got to know that, right?" So, his response was that "I am at the bottom of a well and to climb out of the well, I need a rope. And when I pay him he gives me a future that is positive because he knows that if he doesn't give me a positive future, he won't come back next week."

So, he says, "I pay him. He paints this rosy picture. I can climb that rope and eventually I'm going to be out of the well." And so, I think that that's a very important lesson and I think the important lesson is that we are all going to find ourselves at different times at the bottom of a well. And the question is, what is your rope? For each person, each situation is different. But I have been at the bottom of the well as part of our road, my dad said, "I've developed my own ropes." And so, I think that's for example, one lesson I learned from him which will never go away, which has been great. Thank you.

Q: Hi, my name is Arif. I'm from San Diego. Thanks for having us here. This is great. I have a bunch of questions I could ask you, so I'm trying to prioritize, but I think probably the one or two most pressing questions are portfolio management questions for you. I've noticed that you're very concentrated and I'm also an investor type. So public investing. I generally don't have anything close to 100% information. At your best maybe, you're at 75 or 80. You got a long-term history and good relationship with Sergio as you do. How do you find comfort to have the majority of five stocks as opposed to 10 or 20? Where… the question is really, there was a learning mechanism you had and I'm of course exploring this, which is why I'm interested. So, I want to know how you got to that range, the number, how you are concentrating at the portfolio. I know Munger has said before that, if you know, I know he's a big fan of concentration and that's important. Where do you find that balance between sort of what you can know, the number of stocks you'll have and enough diversity so that the things that you inevitably make mistake and don't hurt you tremendously?

A: That's a great question. So actually, we haven't put more than 10% of assets in any one position in Pabrai funds. We've never done that. But if something goes up five times, I've never wanted to sell something just because it went up five times. For example, we have like more than 50% in three stocks. We didn't put 50% in three stocks. They went up in price, they went up in value. That's why we're where we are. And basically, I think that the nature of investing is that even when you dissect the index, if you look at the S&P and you dissect what is driving the returns, you're going to find there's a couple of hundred stocks in the S&P that don't do much and probably 30 stocks or 50 stocks that are driving a large part of the return.

And so, one of the difficult lessons I've learned over time is not to cut the flowers and water the weeds. What I want to do is I want to cut the weeds and water the flowers. And so, I agree with you that extreme concentration is probably not a good idea. But I don't think it's also a good idea to sell things just because they've gone up in price. Studies have found that you do not gain much diversification when you go from 10 to 15-20 stocks, but you definitely give up upside by buying your 20th best idea versus more of your 2nd or 3rd best idea.

Q: So, I got two questions, if that's okay. You said, I think a couple of questions back. You said that electric cars are definitely the way to go, the we'd invest in stuff like that. But as you know, a lot of companies are investing in a lot of electric technologies as well and a lot of batteries., even small companies like Aston martin, are also investing in electric cars. But the concept of the electric car in general has been out a lot longer than Tesla has. And correct me if I'm mistaken, but Tesla made the electric car just more attractive to buyers and a lot of companies are going on this idea. So, in your opinion, do you think it's a hype train that people are jumping on or do you think it's actually a sustainable business solution?

A: I think that that's a great question. So, I think every Tesla that ships, ships with $10000 or $20,000 taped to it because that's what they lose per car. So, it's a negative margin business. And Tesla was very early and in fact, Sergio looked at the electric car business and Fiat actually created an electric version of Fiat 500. And they lost more than $10,000 on every one of those cars they sold and he told people, "Please don't buy this car because when you buy, this I loses $10,000." So, it was a compliance car for them to get their mileage numbers where they need to be. But more recently what has happened is the cost curves have changed. I mean, the electric cost curves have come down quite a bit. I mean, I think GM probably makes money on the Chevy Bolt, maybe not a lot of money, but it makes money. And so, I think Sergio understood that 2010 or 2015 was not the time to go electric because I think the economics didn't work out.

But I think that going forward we are seeing the price points become far more acceptable. And I can tell you this, that we have two electric cars and I think we won't go back. I think there's just a lot of advantages to electric cars. And I think for most people, they won't go back. I think in the long run it is the answer to a lot of questions and I think we're going to see electrification. But even today it is hard for auto manufacturers to retain margins when they go electric. Costs need to come down further.

Electrification will happen. I am far less bullish on the self-driving car with no driver. I'm not optimistic on autonomy taking the driver out of the seat. I think semi-autonomy with the driver in the seat, we're going to see a lot of advances. But I definitely feel that electrification is on its way and it's very significant and it'll keep increasing. So, we are going to see a lot more hybrids and we'll see a lot of pure electrics, but I don't think Tesla will reap the bounty unfortunately.

Q: I'm Priyanshu from San Diego. I want to know, you mentioned Amazon was overvalued when it was under $300 billion. Now that it has reached over a trillion dollar, what are your thoughts on Amazon and Jeff Bezos?

A: I think I was stupid when I taught that it's overvalued at 300. I used to own Amazon at $10 a share in 2002. I think it had tanked at time and I think it went to $14-15 and a few months and I was out. I was very happy then and now I'm not so happy. I think Bezos is amongst the best business leaders. I think he is phenomenal business leader, very young and I think going to go a long way and it is unfortunate, we don't own Amazon. Very sad. I see some hedge funds short it. I can't think of anything dumber. I think it's a very dumb idea to go short Bezos. I mean stay on the sidelines, don't go short. I think we got a bunch of guys from Google here and maybe after that you can ask them their perspective on, maybe one of the Google guys wants to come up. You want to give us your thoughts on Amazon? We'll delete that part out of the transcript. So, go ahead.

Q: Thanks. I'm xxx from Google. Thanks for the opportunity. So, it's a phenomenal business. I think one thing that people don't appreciate is how they have been able to innovate internally - essentially trying out these new businesses just for themselves and then once these businesses within their company prove themselves to be able to scale it out to the external.

Before the cloud business was publicly broken out in numbers the outside view was, this is a low margin business, but you have to just go and see what people in the valley were doing when they were starting up companies just using AWS for everything, the entire infrastructure. And you could ask them how big percentage of their expenditure was in AWS. It was massive and if you knew anything about Moore's Law, it's like they are reducing prices year and year but costs are going down exponentially because of Moore's Law and so first level of thinking is yes, the margins are going down because of price cuts, but their costs are going down exponentially in effect, their margins actually expanding and then they're using all those extra margins to do the same thing they did in the retail businesses. Drive it back into the business, drive revenues and have the virtuous cycle attract more and more customers towards them.

But then they do this in cloud. They do this in all of these new businesses they're into. And so, the P/E ratio is optically high because you have two mature businesses, one of retail in America and AWS and they plough all this into startup businesses in the rest of the world. And then the blended free cash flow, sorry, the blended P/E is optically high, but would you consider the value of the business to be very low if you have two matured businesses combined with the startup operation in the rest of the world? And so, this - the disconnect of this P/E happens.

A: So, xxx, one of the questions Buffett always to asks when you visit companies, is that if you had a silver bullet at Alphabet to take out one competitor, who would do you take?

I think I'll just duck that question.

Q: The only time when I've had a lot of conversation, not with xxx, but for many, many Google engineers, the only time I see fear in their eyes is when I bring up Amazon. I actually have seen fear in their eyes, which is a remarkable thing to see in people like Google. But yeah, so I think Bezos is a phenomenal manager. I think the execution is of the charts and I think that I would, if you put a gun to my head, I'd rather be long than short. But I think at this point I'm just on the sidelines. I have a good friend, Nick Sleep. Some of you might know, how many of you know Nick Sleep? So, some of you have heard of him. And so, Nick and his partner ran this fund in London, and they had three stocks that made up like 95% of the portfolio. And the three stocks were Amazon, Cosco and Berkshire.

And I think Amazon was more than half the pie. And they got so tired of, and they felt so bad about all the fees they were collecting that they wrote to all the investors that, "Listen" They didn't say "Listen, idiots." But that's what "Listen idiots, we have these three stocks. You know we have these three stocks. 10 years from now, we're going to have these three stocks. Don't pay us fees to own these three stocks. And since you won't listen to us, we're shutting the fund down. Okay?" So, they shut this $1.2 billion fund down and they shipped on the cash back.

And then I got panicked calls from their investors. “Oh my god, Mohnish did you hear Nick Sleep is retiring. He sent all the cash back. What do I do?" So, I told them "Buy the three stocks. He's told you what to do." He does not want to skim off the top anymore. I just want to give you the three stocks because I have more money than I need. And then this was an institution, right? They're not allowed to own stocks directly. They can give money to Nick, but they cannot own what he does. So, this is the stuff that goes on in the real world, but anyway, so Nick is 'retired' and sitting on his Amazon, Cosco and Berkshire and last I heard, he was a cycling through China and having a great time. So, more power to Nick but yeah, Amazon, fantastic. It's great.

Q: Hi, I'm from Pasadena. I just, the first question's very quick. Second one is the more interesting one, probably. The first one is, how much money do you think you can manage in the Pabrai fund strategy, you think, in this market and environment? And the second one is the lessons you learned from Dhandho Holdings and the pros and cons of public versus private market investing.

A: So Pabrai fund, we've closed. We're not taking any more money in because I think it's a good size and especially when I'm looking in India and many times in India it is hard to put even $20 million into a company. So, in the space we're looking, we really can't put a lot of capital into individual businesses. We're happy with the way it is.

In terms of Dhandho Holdings there are many good lessons. Number one, never want to be an insurance. Been there, done that, got the t-shirt. We're going to move on. I realized that it is a very difficult game to do negotiated transactions in the private market. I think that what I'm able to do in the public markets, I mean for example, the two real estate companies we bought, Indian securities laws do not allow the promoters of the business that's listed to own more than 75% of the business. So, both of these companies, when we were looking at them in 2017, were at 75% ownership close to it, right to the limit, right? And I mean, I think in one case the market cap was 90 million. I think instant liquidation, you could've gotten $300 million if they liquidated.

And so, I think the public market give us an opportunity to do things that we cannot do in the private markets. And I think what I personally found with my skill set is that my skill set is not at all suited to the private market and negotiated transactions. I think that's a very hard game. I think Buffett and Munger make it look easy, but it's really a hard game.

I think with Dhandho there were several lessons. There were lessons with insurance. There were lessons with private markets and there were lessons with, the thing is I'm not, I used to have a company with 200 people. I strongly prefer managing much smaller organizations. I personally don't like to have a lot of people to manage and report to and operating businesses and I saw at Dhandho I got involved a lot more than I wanted to. So many good lessons from Dhandho. And I think that the fact that I was able to get those lessons and we didn't lose any money, is really good.

Q: Hi Mohnish! This is Felix and I'm from New Brunswick in Canada. Firstly, thank you so much for your generosity and sharing over the years. I always look forward to any videos posted from your end, even though we're the other side of the world or and some places to stop sort of generosity in sharing your thoughts, your ideas, and helping *everybody else. My question relates to personal discipline. As a value investor I know the mental framework is you're really looking for cents on the dollar, but apart from that, again you've been rubbing shoulders with some of the great value investors continuously for a long time.*

What are the personal disciplines you see? I mean, I'm talking with people who are consistently successful for decades, that they hold, like personal disciplines that help them have those, hold onto those mental models and help them keep their sanity when everybody else is losing their sanity or generally to really be greedy in the other side when everybody is being fearful and vice versa. On your side some of these gentlemen and also personally, is that some disciplines that you do? I don't know, maybe you're taking a week off, a hideaway in the mountains or something. Just what are some of the traits or disciplines you see yourself to or some of the other folks that you rub shoulders with do, which could help generally people who want to follow that path? Thanks.

A: The best I can tell you with that is that it's a temperament and I think it's in-born-traits. I think that you either get it or you don't get it, like Buffett says. People either get value investing in five minutes or they're never going to get it. And I mean just to take something really simple like shorting, right? So, I think the Bible was written in Omaha, right? And the Bible has certain edicts and such, and one of them is, thou shall not short but all of New York is shorting.

So, there's not a lack of IQ there. And the thing is that in the Bible, not only does it say not to short, it tells you why not to short, because it tells you that, even Warren and Charlie say that we are almost always right on the business, but wrong on the timing. And sometimes you can get to a strange thing that, people will go short, something like Amazon and that's probably not good for your health.

So, I think a lot of this just gets down to temperament where I think not a buying and selling things in rapid fire fashion, sitting on position for long time and not using leverage and not shorting and those sorts of things, I think these does get down to whether you buy into them or you don't buy into them. I don't think it's anything beyond that because I see lots of very, very smart people do very dumb things in investing and I still don't understand why they do that. So, it's just the way it is.

Q: Hi, my name's Colin Dresser from Seattle. I know that the Junoon fund was created to rethink a better S&P 500. So, would you feel comfortable recommending 90% in Junoon and 10% in short term government bonds like Buffett did?

A: If someone is investing in Junoon, my suggestion would be not to go that extreme. I mean, you could do that if your timeframes are long. You could do that with the S&P if your timeframes are long. So yeah, if you are going to go 90% S&P, 10% government bonds, you have to also remember that Buffett is saving that for his wife and she is going to inherit something like a billion and a half. So, she's going to, on a very modest lifestyle, have 150 million in government bonds. And so, if the 90% disappeared, it would have no impact on her lifestyle. So, I think that the 90, 10 has to be taken in the context of the absolute amount. But I would say that if a person is young, long runway saving money and heavily concentrated into a couple of indices, I think that's perfectly fine.

Q: Hello. My question is actually regarding Dakshana Foundation. So, I was noticing that on the website, it lists that the candidates are usually for Doctor and engineering programs. I was wondering if in future would actually include candidates for IIM and IAS.

A: Yeah, that's a good question. So, both the IIM and IAS programs are graduate programs. So usually the people who are appearing for those are past college. So, they are in the early 20s and usually that group does not have the same economic issues that we're dealing with. We have a lot of Dakshana scholars who have taken those exams and they've gone on to IAS and they've gone on to IIM but they actually did not need our help because once they finished from the IIT, they had a well-paying job and so on and so forth. So, in that demographic we would have a hard time finding people who were, for example, below the poverty line. I think it's almost an oxymoron because if you're going for those tests, you've got a good undergraduate degree and you probably have a good job and so it just doesn't work for us. So that's why.

Q: I want to ask my second question. So, I'm a big Formula One fan. I support Ferrari and stuff like that and it's an amazing brand, more than 70 years of history, but Fiat Chrysler also has two other brands under its wing that are also very big, which is Alfa and Maserati. So, do you believe that, do you think that letting those brands compete more in general, would allow those three brands in general to have a lot more success? Because if you look at, let's say VW, the Volkswagen brand in general allowed Porsche and Audi to compete a lot more for the sake of marketing. So, do you think it would be a better strategy to let those brands compete rather than letting Ferrari be like the top tier?

A: Well, I mean, Formula One is not heavily in my circle of competence. I would say you start off getting to pass the edges, but I'll give you my two cents. I think that Alfa used to be in Formula One a long time ago. It's got a racing heritage and then it gave up that heritage. And so, Sergio, I think saw that Formula One did a lot for the Ferrari brand in an incredible way. And Ferrari has been in 70 years, never spent a dollar on advertising. They've never placed an ad. They have zero advertising budget, but they are one of the most dominant, well known brands around. And so, I think Sergio understood that Alfa would benefit a lot. Formula One gives you a halo effect on your cars. So even if you look at Enzo Ferrari, Enzo Ferrari had no interest in selling cars, zero. He only wanted to race cars.

And for him the selling of cars was a forced evil to support his racing habit. And so, he always viewed the car selling part as a required evil, if you will. And that's probably part of the reason why the brand got built because he always kept the sales numbers so low. Like if he didn't like you, he wouldn't sell you a car, all these kinds of things that he would do. So, I think once Alfa becomes significant in Formula One, it will significantly help the brand. I don't think it will take away from Ferrari. I think it's apples and oranges.

But I think both of those brands, Alfa Romeo and Maserati, would get helped significantly without really, I think in any way diluting. I mean Maserati already is getting some benefit because they have Ferrari engines in what they're selling.

So, all these three companies have some benefits from being part of the same house. And I think with Alfa, when they came out with Giulia and Stelvio they set up, I mean Sergio’s set up skunk works, like Lockheed Martin, where he pulled some of the best Ferrari engineers put them on this project for example. So, if you look at the Stelvio and Giulia, they're way ahead of the other cars in their class. I mean, they're just a very different in terms of performance inside. If you wanna own a Ferrari at under $100,000, buy an Alfa Romeo Stelvio. None of the other luxury guys have anything like it.

One of the interesting things about Alfa is that they have a plan, in their 2022 plan to have 400,000 Alfa sold a year from a very small base today.

And they're expecting at least 10% margins on those. And so, if you run the numbers, I mean that's going to be like a $2 billion operating margin business. Maserati is probably at least a billion-dollar business because its margins are much higher, about 15%. And so just those two businesses probably are the most likely next spinoffs, probably 2023, somewhere in that timeframe. And they may actually get a valuation which maybe, like Ferrari, maybe $20, $30 billion value for those brands together. So, we'll see. But Formula One will help them both and I don't think it'll hurt Ferrari.

Q: Hello. Mr. Pabrai! Thank you for having us. And thank you for allowing me to ask this question.

Yeah, go ahead.

Q: So, my question is, what advice would you give to somebody managing very small sums and specifically with regards to raising assets and how important do you think a track record is to that?

A: Well, I think a track record is important because you should have proved to yourself that you're a good manager. So, I think that it has important from an internal perspective, but the second thing that it also has relevance to when you go to investors, potential investors to be able to show you, so I always tell people that always do your personal investing in a separate account. Don't pay your grocery bills from that account, keep it separate so at some point you could have it audited. And then I think in terms of raising assets, I think you have to focus on friends, family and fools, especially the fools. And so, I think that's where you got to go first, go to the people who are near and dear, and if you cannot convince them that you are the one, then I think you have got issues.

I think that's the first group that really needs to back you. And I think the thing about the fund businesses is that Buffett always said that if you deliver great returns, they will swim to you in shark infested waters in the middle of the Atlantic to invest with you. So, the bottom line, I think the bottom line is you don't need to really be a great marketer. I think if you put your head down and do a good job on the investing, I think, I always told my early investors, I think we had eight investors when we started. And then a year, I think in about eight or nine months, we had about 17. And I think at the first annual meeting, we met around a conference table. There were about 13 or 14 of them and I told them that, "Listen, you were put on this planet for one reason and only one reason alone, which is to bring assets to Pabrai funds."

"So, go to your friends and family and make sure you tell them about Pabrai Funds." And the thing that may sound strange but a couple of things, one is humans are looking for a purpose in life. So, I was very willing to give them a purpose in life. But the second is Bill Gates, I think one of my favorite Bill Gates quotes is that "Even if you're a monopoly, you have to ask for the order." So, what happens a lot of them, and I noticed that money managers starting up is they make a pitch, but they won't close the deal. And to close the deal, what you have to do is you have to go beyond your comfort zone and ask for the order. If you stay within your comfort zone, you have not done your job.

So, go outside your comfort zone because what I noticed when I started Pabrai funds business, the SEC rules said, "You can't advertise, you can't solicit." So, I said, "How the hell am I supposed to build a business if I can't advertise and solicit?" So, then I realized I got to really rely on the unpaid sales force – my existing investors. So, the good news is that the sales force did not ask to be paid and they went forth and they did their jobs, which is great. And then the SEC doesn't have a problem. If John is an investor and he tells his friend Steve to invest with me, there are no issues because I didn't talk to Steve unsolicited etc. We'll take the last question.

Q: Hi. David Faulkner from Huntington Beach. In your presentation, you had a nice dialogue about the Indian chemical company and it went something like "They produce sulfur and sulfur is used in tires. Tires are getting increased consumption, thinner tires for electric vehicles" and so on and so forth. From that dialogue, it seems like you were considering a macro trend, maybe not in a macro-economic trend, but a macro consumption trend, and then use that trend perhaps to find the company. I'm wondering if that happens often where you observe that macro trend and find a company that will serve to benefit because you also mentioned tire companies, but they didn't have attractive valuations or something. So, my question is, does that happen often, that a macro trend leads you to accompany and can you walk us through that thought process?

A: Yeah. I think the way to think about it is that if you have a high degree of conviction on a particular factoid. I don't believe that anything about the fact that humans will travel more in automobiles is questionable. What I'm saying is in that particular case, if you call it macro, if I'm trying to predict who's going to be the next prime minister of India, there's a lot of haziness on that.

But if I'm trying to predict that will humans be traveling more miles in 2025 on average per human, in cars vs 2018, I think the odds are overwhelming that that's probably going to happen, especially when you have all this Uber, Lyft and all these things going on. So, for me, the thing was that there was almost a certain fact.

I think it's a fact about a trend line, and most of these facts are difficult to translate into an investment. You might have various perspectives on, I mean, let's say I know that electrification is going to happen in cars. I've probably got certainty on that like the humans traveling more miles. It's hard to translate that into an investible idea. At least I automatically can't think of a way to monetize that. So many times, we can have high probability perspectives on certain things that are likely to happen. And we are also able to overlay that with a specific investment.

So, I will say that if I look at, let's say Mumbai real estate, for example. If I go to Wikipedia and I search for or Google and I asked something like, tell me the population of the most, the highest populated cities in the world in 2050, number one is Mumbai. It surprised me, but that's what the answer came up. 2040, 2050 is Mumbai. 50, 60 million people is what they're forecasting.

And I already know that the city is very land constrained like Manhattan and the housing stock is terrible. I always tell people in Mumbai that the rich people live in useless housing. It's the only place, one of the only places, on earth where rich people live in very terrible housing. And so, the entire city, in my opinion, high probability of being torn down and rebuilt in the next 30, 40 years, very high probability of that happening. So, these are I would say high probability events. And then I'm saying, okay, how can I overlay that? And so, these Mumbai real estate companies that showed up. They were below liquidation value and 90% of their competitor are either gone or going out of business. That is the backdrop. Not a macro call, but a highly likely trend.

You've got 20 players left and millions of units of housing needed and very hard for new entrants to come in. So basically, I think that I would distinguish between macro things like what interest rates are going to do or what unemployment is going to do or what the economy is going to do from some of these other facts like miles driven by humans or electrification or Mumbai real estate needs. So, we can sometime get, I think when Buffett and Munger looked at Coke, they looked at liquids needed by humans on a daily basis to stay alive and then they extrapolated how much of those liquids over time can be flavored. And then how much of the flavored can be Coke.

So, they had a view that number one, humans can't survive without liquids, which is the correct view, and they had a view that humans probably prefer some portion of those liquids being flavored. That's probably also a correct view. And then from there they said, okay, "Hardly anyone can deliver these flavored liquids below the price of coke." And so that's where they went with that thesis. Thank you for coming. We actually have one of the best caterers, Indian food caterers this side of the Mississippi, for those who are first timers. Make sure you enjoy the food.