

# DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings  
From: Mohnish Pabrai, Managing Partner  
Date: October 15, 2019  
Re: **Q3 2019 Results et. al.**

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Dear Partners:

For the quarter ended September 30, 2019, \$31,000 was added to the Dhandho India Zero Fee US Fund by existing partners.

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is January 1, 2020. Funds and subscription docs must be in by December 31, 2019 to make the January 1<sup>st</sup> opening date. The minimum initial investment is \$1.5 million for the India Zero Fee Funds and \$500,000 for the Junoon Zero Fee Funds. Existing partners can add as little as \$25,000. If you are interested or would like more information, please nudge either Fahad Missmar at [fm@dhandhofunds.com](mailto:fm@dhandhofunds.com) or me at [mp@dhandhofunds.com](mailto:mp@dhandhofunds.com).

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

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

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

	<b>S&amp;P 500</b>	<b>India US (net to investors)</b>
10/1/17 - 12/31/17	<b>6.6%</b>	<b>1.1%</b>
1/1/18 - 12/31/18	<b>-4.5%</b>	<b>-21.2%</b>
1/1/19 - 9/30/19	<b>20.5%</b>	<b>-8.6%</b>
<b>Annualized</b>	<b>10.8%</b>	<b>-14.7%</b>
<b>Cumulative</b>	<b>22.8%</b>	<b>-27.2%</b>

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

	<b>S&amp;P 500</b>	<b>India Offshore (net to investors)</b>
10/1/17 - 12/31/17	<b>6.6%</b>	<b>0.5%</b>
1/1/18 - 12/31/18	<b>-4.5%</b>	<b>-20.2%</b>
1/1/19 - 9/30/19	<b>20.5%</b>	<b>-8.8%</b>
<b>Annualized</b>	<b>10.8%</b>	<b>-14.5%</b>
<b>Cumulative</b>	<b>22.8%</b>	<b>-26.8%</b>

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

**Dhandho Junoon LP (US Qualified Purchasers) Performance Summary:**

	<b>S&amp;P 500</b>	<b>Junoon US (net to investors)</b>
7/1/16 - 12/31/16	<b>7.8%</b>	<b>12.9%</b>
1/1/17 - 12/31/17	<b>21.8%</b>	<b>15.6%</b>
1/1/18 - 12/31/18	<b>-4.5%</b>	<b>-16.2%</b>
1/1/19 – 9/30/19	<b>20.5%</b>	<b>9.7%</b>
<b>Annualized</b>	<b>13.6%</b>	<b>5.8%</b>
<b>Cumulative</b>	<b>51.2%</b>	<b>20.0%</b>

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

	<b>S&amp;P 500</b>	<b>Junoon Offshore (net to investors)</b>
7/1/16 - 12/31/16	<b>7.8%</b>	<b>12.6%</b>
1/1/17 - 12/31/17	<b>21.8%</b>	<b>17.8%</b>
1/1/18 - 12/31/18	<b>-4.5%</b>	<b>-16.2%</b>
1/1/19 – 9/30/19	<b>20.5%</b>	<b>8.6%</b>
<b>Annualized</b>	<b>13.6%</b>	<b>5.9%</b>
<b>Cumulative</b>	<b>51.2%</b>	<b>20.7%</b>

## **The Zero Fee Funds**

### *India Zero Fee Funds*

*Buy when there is blood in the streets, even if the blood is your own.*

- Baron Rothschild

I could not have timed the launch of the India Zero Fee Funds any worse than I did. The funds started life in Q4 2017 and from January 2018 till now, the Indian market has gone straight down. The BSE Small Cap Index is down 38% in the last 21 months (the funds are down 28% over the same period). This is a bigger drawdown than the S&P 500 had during the financial crisis. Virtually everything we bought became much cheaper a few quarters later.

The funds have acquired a portfolio of exceptional Indian and non-Indian businesses at prices well below our estimation of their intrinsic value. I just wish we were launching now and buying at present prices. I love most of the holdings. We've got some great compounders in the mix. The funds' discount to intrinsic value now is substantial. We own several businesses that are easy doubles and more from here.

### *Junoon Zero Fee Funds*

The Junoon Zero Fee US and offshore funds are up 8.6 – 9.7% year-to-date, versus 20.5% for the S&P 500. Since inception, Junoon is up 5.8 – 5.9% on an annualized basis, lagging the S&P 500's impressive 13.6%.

Within Q3, the Junoon US and offshore funds were down 4.7 - 4.8%, vs. the S&P 500 which was up 1.7%. The three bucket approach again tempered volatility across the overall portfolio. On a weighted-basis, the Spin-Offs bucket pulled Junoon down 2.8% this quarter, while the Cloned Ideas pulled it down a more modest 1.1% and the Cannibals down 0.8%.

The Cloned Ideas bucket was up 12% in the first quarter of 2019, but has been the worst performing bucket since the 4/1/19 rebalance, despite having some of our favorite picks (we are biased!). On an un-weighted basis, the Cloned Ideas bucket has fallen 7.8% since 4/1, while the Spin-Offs bucket is down 5.1% and Cannibals down 0.4%. The Cloned Ideas bucket has a value bent, which is a core strength, and we believe its current and future constituents will add meaningful value to Junoon over the long-run. Junoon's portfolio can always be found on our website here: <http://dhandhofunds.com/hedge/pdf/web/viewer.html?file=Holdings.pdf> (to access, the id: **dhandho** and pw: **zerofee**).

We love the thoughtful approach that Junoon's portfolio takes in constructing a concentrated index and would much rather hold Junoon over the S&P 500 over the long-run. The S&P 500's rise over the past 3 years has been nothing short of phenomenal and well above its historic average. The S&P 500 is an excellent index choice for most investors. But we are confident that over a longer term horizon Junoon is the better bet.

## **Dhandho Holdings**

Dhandho Holdings' NAV at 9/30/19 was \$3.37 per unit, down 6% from the final NAV of \$3.58 at 6/30/19. The change in the NAV is attributed to changes in the value of our concentrated stock portfolio, which changes daily. If you include the \$1/unit distributed to all investors in the second quarter, the 9/30 NAV is up 6% year-to-date.

Dhandho Holdings does not have any past due Stonetrust sale receivables currently. Stonetrust's buyer is current on all payments to us. Assuming no adverse development at Stonetrust, the remaining \$13.4 million of the purchase price, or \$0.88/unit, should be paid to us between now and January 1, 2022. Our wonderful buyer Francis Chou has waived the annual actuarial assessment for 2019, the second year in a row. This releases the next \$2 million from being a warranty and that is payable to us on 1/1/2020. As a result, the amount held as a warranty has been reduced from \$13.4 million to \$11.4 million. We are applying haircuts and discounts to account for uncertainty, and holding the full \$13.4 million receivable on our books at approx. \$6 million, or \$0.40/unit.

### *Next Distribution*

Our next distribution of \$1- \$2/unit is planned for early 2020. At the time of the distribution, we will also have a mechanism to allow existing investors to fully exit for those that prefer that option. We'll prorate the sale among interested buyers after insiders (excluding me) have made their purchases. With that said, *I have no plans to sell any of my Dhandho units.* Other Dhandho insiders like Fahad and Jaya are eager buyers of any units that come up for sale.

### *Alignment of Interests*

My family's investment in Dhandho Holdings is worth approx. \$11 million at the 9/30/19 NAV and The Dakshana Foundation's interest is worth \$0.6 million. My family, Fahad Missmar, Jaya Velicherla and The Dakshana Foundation own about 24% of Dhandho Holdings. It is important to note that Dhandho has never issued stock options or simply granted units to management. Every unit we own has been bought at the then published NAV.

## **The Zero Fee Structure**

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

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

## **Updated Investor Presentations**

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

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

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

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

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

## **Pabrai Funds/Dhandho 2019 Annual Meeting Presentation**

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

The Annual Meeting presentation slides and transcript are posted on our website. Here is the link to the transcript (to access, the id: **dhandho** and pw: **wealth**):

<http://dhandho-holdings.com/2019-annual-meeting-transcript/>

The transcript is best read in conjunction with the presentation slides (the password to the video is "Munger"):

<https://vimeo.com/360365619>.

## **Estimated K-1's (for US Investors)**

For Dhandho Junoon LP and Dhandho India Zero Fee Fund LP investors, we provide estimated K-1's through September 30<sup>th</sup> if significant taxable gains are anticipated. Our current estimates do not show significant taxable gains in 2019 so no K-1 estimates will be prepared. Your final K-1's are issued in March 2020.

For Dhandho Holdings LP and Dhandho Holdings Qualified Purchaser LP investors, we will provide estimated K-1's in October which will give estimated gains through September 30<sup>th</sup>. This will be emailed to you by late-October from our Administrator, Liccar. Your final K-1's are issued in March 2020.

## **Redemptions – India Zero Fee Fund and Junoon Zero Fee Fund Investors**

Please note that if you plan to redeem funds, we must have the request in writing by November 1, 2019. Funds go out approximately 20 business days after year end based on the December 31 NAV. To get the redemption form emailed to you, please nudge Valerie Magursky at [vm@dhandhofunds.com](mailto:vm@dhandhofunds.com).

The redemptions forms are also on our website (id is **dhandho** and password is **zerofee**):

[Dhandho India Zero Fee Fund LP Redemption Form 2019](#)

[Dhandho India Zero Fee Fund Offshore Ltd Redemption Form 2019](#)

[Dhandho Junoon LP Redemption Form 2019](#)

[Dhandho Junoon Offshore Ltd Redemption Form 2019](#)

As a reminder to our older IRA investors, keep in mind that redemptions are paid in January when submitting a redemption for any Required Minimum Distribution (RMD). If you are turning 70.5 in 2020, you may need to submit your redemption form this year to satisfy the RMD. If you elect to delay your first RMD as allowed by the IRS until April 1, 2021 and submit your redemption form in 2020, then you will need to also include your second RMD distribution in that total.

We also have an annual redemption date on September 30<sup>th</sup> only for retirement accounts in which the beneficial owner is 70 years or older to assist in meeting RMD requirements. The maximum amount that these folks can redeem on September 30<sup>th</sup> is 25% of the value of their balance on that date. These investors can also still redeem whatever they wish on 12/31 with 60 days' advance notice.

The redemptions at September 30 on a per fund basis are:

Dhandho Junoon LP: \$639,965

Dhandho Junoon Offshore Ltd.: \$100,000

### **Chai With Pabrai Blog**

Please check out my blog [www.ChaiWithPabrai.com](http://www.ChaiWithPabrai.com) which I try to keep updated. Here is a recent addition to the blog:

### **MOI Global's Meet-the-Author Summer Forum 2019 Interview**

I very much enjoyed talking to John Mihaljevic for MOI Global's Meet-the-Author Summer Forum 2019 about my book, [The Dhandho Investor](#). We discussed the Patels and applying their low-cost operating business model to investing. We also discussed arbitrage, taking advantage of "offering gaps," risk-free bets, the art of selling, diversification and the changes I would make to The Dhandho Investor now.

<http://www.chaiwithpabrai.com/blog/moi-globals-meet-the-author-summer-forum-2019-interview>

### **2020 Annual Meetings – Save the Date**

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

Prior to the California meeting on September 12th, 2020, we will have the 7th Annual Gran Fondo Dhandho Bike Ride. It's a scenic ride around the Newport Estuary with views of the Pacific Ocean in Newport Beach, California. Biking can be a dangerous activity; we only want folks who are decent

bikers on the ride. The ride begins at Starbucks in Newport Beach at 8:15 AM, and ends there around 10:30 AM. For folks that just wanna chill, you can come to the Starbucks at 10:30 AM and hang out with us bikers.

Here is a link to the Starbucks location:

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

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

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

The **California** meeting is scheduled to be on **Saturday, September 12th, 2020** at 4:00 PM at:

[Soka University](#)

Performing Arts Center

1 University Drive, Aliso Viejo, California 92656

Tel. +1949.480.4000

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

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

[Marriott Renaissance ClubSport](#)

50 Enterprise

Aliso Viejo, CA 92656

Reservations: 800-468-3571

Phone: 949-643-6700

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

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

The **Chicago** meeting is scheduled to be on **Saturday, September 26th, 2020** at 4:00 PM at:

[Carlucci's Restaurant](#)

(The Auditorium)

6111 North River Road, Rosemont, Illinois 60018

Tel. +1847.518.0990

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

Agenda:

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

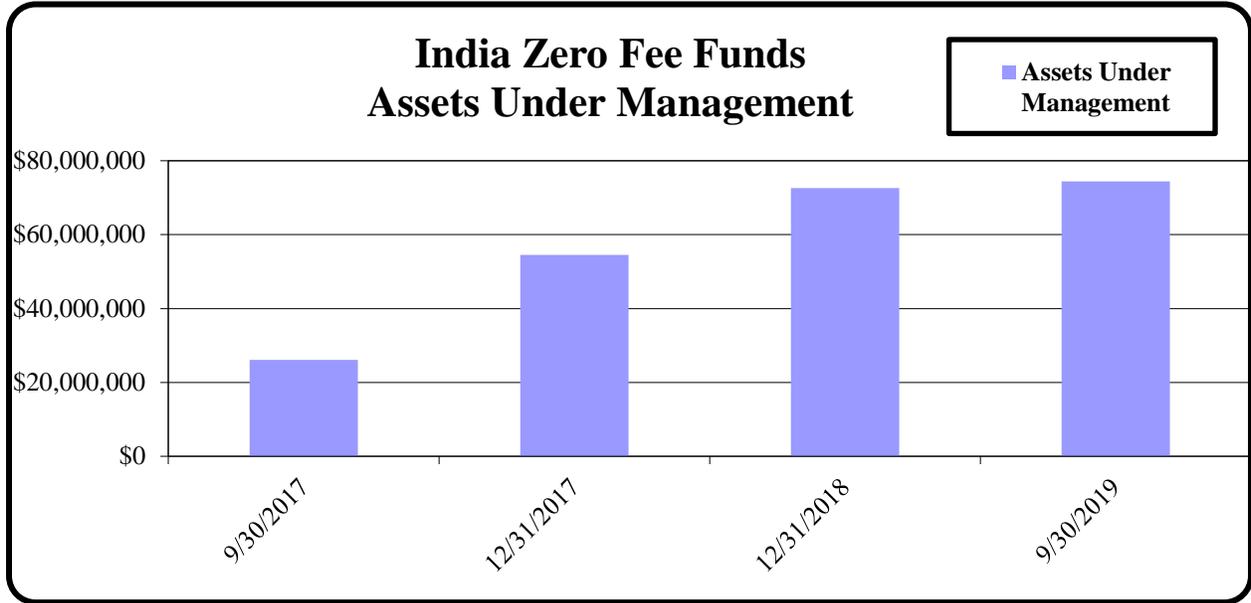
In lieu of dinner in California, we'll have an extended cocktail hour with expanded appetizers (multiple food stations), and lots of tables to sit and chat.

The invites will go out electronically via email in July 2020. Look for it in your inbox! If you don't receive it, please contact [invite@pabraifunds.com](mailto:invite@pabraifunds.com). Your significant other and young kids are welcome to attend. As we are now a Registered Investment Advisor, the SEC requires that all guests must be "accredited investors," which includes your adult kids (22 years or older). The invitation is non-transferable.

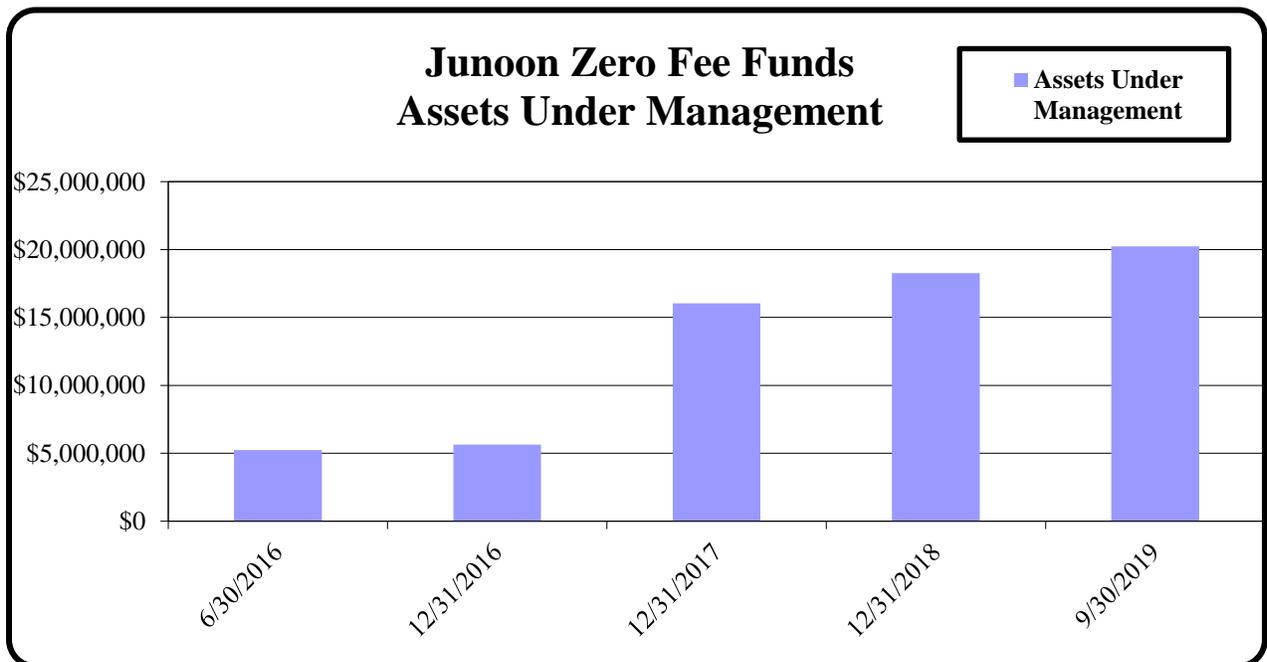
I look forward to seeing you in September.

**Assets Under Management**

There is \$74.4 million in assets under management in the India Zero Fee Funds as of October 1, 2019.



There is \$20.2 million in assets under management in the Junoon Zero Fee Funds as of October 1, 2019.



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

Warm regards,

A handwritten signature in black ink, appearing to read 'Mohnish Pabrai', with a long, sweeping horizontal line above the letters.

Mohnish Pabrai

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

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## Appendix A

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

No. of Units	Date	NAV
1,830,217	10/1/2017	\$10.00
3,183,760	12/31/2017	\$10.11
3,990,876	03/31/2018	\$9.23
4,271,456	06/30/2018	\$8.80
4,750,901	09/30/2018	\$8.16
5,334,464	12/31/2018	\$7.97
5,601,158	03/31/2019	\$8.64
5,848,319	06/30/2019	\$8.01
5,852,592	09/30/2019	\$7.28

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

No. of Units	Date	NAV
780,489	10/1/2017	\$10.00
2,218,439	12/31/2017	\$10.05
2,941,434	03/31/2018	\$9.24
3,314,358	06/30/2018	\$8.86
3,517,856	09/30/2018	\$8.21
3,747,823	12/31/2018	\$8.02
4,184,409	03/31/2019	\$8.64
4,347,454	06/30/2019	\$8.03
4,347,454	09/30/2019	\$7.32

## Appendix B

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

No. of Units	Date	NAV
425,000	07/1/2016	\$10.00
400,000	12/31/2016	\$11.29
402,216	03/31/2017	\$11.54
428,128	06/30/2017	\$11.45
446,888	09/30/2017	\$12.61
582,360	12/31/2017	\$13.05
769,745	03/31/2018	\$13.34
844,651	06/30/2018	\$13.62
844,651	09/30/2018	\$13.64
849,508	12/31/2018	\$10.94
857,455	03/31/2019	\$12.58
920,966	06/30/2019	\$12.60
867,624	09/30/2019	\$12.00

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

No. of Units	Date	NAV
99,998	07/1/2016	\$10.00
99,998	12/31/2016	\$11.26
363,991	03/31/2017	\$11.43
363,991	06/30/2017	\$11.42
457,397	09/30/2017	\$12.85
638,352	12/31/2017	\$13.26
693,511	03/31/2018	\$13.60
763,442	06/30/2018	\$13.86
763,442	09/30/2018	\$13.87
808,442	12/31/2018	\$11.11
816,339	03/31/2019	\$12.66
820,101	06/30/2019	\$12.66
811,813	09/30/2019	\$12.07

## Appendix C

### Dhandho Holdings Performance History (Net to Investors)

No. of Units	Date	NAV <sup>1</sup>
14,837,687	03/31/2014	\$10.00
15,218,640	12/31/2014	\$9.93
15,288,640	12/31/2015	\$8.36
15,218,640	12/31/2016	\$8.73
15,218,640	03/31/2017	\$9.31
15,218,196	06/30/2017	\$9.53
15,218,196	09/30/2017	\$10.76
15,217,801	12/31/2017	\$4.92 <sup>2</sup>
15,217,801	03/31/2018	\$5.01
15,215,635	06/30/2018	\$4.73
15,215,635	09/30/2018	\$4.53
15,215,635	12/31/2018	\$4.12
15,215,635	03/31/2019	\$4.39
15,214,731	06/30/2019	\$3.58 <sup>3</sup>
15,214,731	09/30/2019	\$3.37

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

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

<sup>3</sup> A distribution of \$1.00/unit was made to all investors in Q2 2019.

Past performance is not indicative of future results. Returns are presented net of all fees and expenses, include the reinvestment of income and are calculated using a simple rate of return. The securities discussed do not represent all securities recommended for the Funds. It is also not a recommendation to buy or sell and one should not presume they will be profitable.

Please be aware that our past newsletters may discuss specific securities that have performed well without necessarily addressing those that have underperformed within our Fund(s). Readers should not infer that all investment decisions within the Funds were profitable.