

DHANDHO

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To: All Limited Partners & Investors of Dhandho Zero Fee Funds and Dhandho Holdings
From: Mohnish Pabrai, Managing Partner
Date: July 21, 2020
Re: **Q2 2020 Results etc.**

Dear Partners:

For the quarter ended June 30, 2020, a total of \$0.6 million was added to the various funds by new and existing partners. The additions on a per fund basis are:

Dhandho India Zero Fee US Fund:	\$0.6 million
Dhandho Junoon Zero Fee US Fund:	\$30,000
Dhandho Junoon Zero Fee Offshore Fund:	\$6,000
Total:	\$0.6 million

The Dhandho Zero Fee Funds are open quarterly to new capital. The next opening is October 1, 2020. Funds and subscription docs must be in by September 30, 2020 to make the October 1st opening date. The minimum initial investment is \$1.5 million for the India Zero Fee Funds and \$500,000 for the Junoon Zero Fee Funds. Existing partners can add as little as \$25,000; for IRA investors the minimum is \$5,000. If you are interested or would like more information, please nudge either Fahad Missmar at fm@dhandhofunds.com or me at mp@dhandhofunds.com.

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

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

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

	S&P 500	India Small Cap Index	India US (net to investors)
10/1/17 - 12/31/17	6.6%	22.1%	1.1%
1/1/18 - 12/31/18	-4.5%	-29.9%	-21.2%
1/1/19 - 12/31/19	31.5%	-8.9%	-4.3%
1/1/20 - 6/30/20	-3.1%	-14.8%	-19.1%
Annualized	9.9%	-13.8%	-16.1%
Cumulative	29.7%	-33.5%	-38.3%

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

	S&P 500	India Small Cap Index	India Offshore (net to investors)
10/1/17 - 12/31/17	6.6%	22.1%	0.5%
1/1/18 - 12/31/18	-4.5%	-29.9%	-20.2%
1/1/19 - 12/31/19	31.5%	-8.9%	-4.5%
1/1/20 - 6/30/20	-3.1%	-14.8%	-19.3%
Annualized	9.9%	-13.8%	-16.0%
Cumulative	29.7%	-33.5%	-38.1%

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

Dhandho Junoon LP (US Qualified Purchasers) Performance Summary:

	S&P 500	Junoon US (net to investors)
7/1/16 - 12/31/16	7.8%	12.9%
1/1/17 - 12/31/17	21.8%	15.6%
1/1/18 - 12/31/18	-4.5%	-16.2%
1/1/19 – 12/31/19	31.5%	14.6%
1/1/20 – 6/30/20	-3.1%	-15.7%
Annualized	12.4%	1.4%
Cumulative	59.7%	5.6%

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

	S&P 500	Junoon Offshore (net to investors)
7/1/16 - 12/31/16	7.8%	12.6%
1/1/17 - 12/31/17	21.8%	17.8%
1/1/18 - 12/31/18	-4.5%	-16.2%
1/1/19 – 12/31/19	31.5%	13.9%
1/1/20 – 6/30/20	-3.1%	-15.8%
Annualized	12.4%	1.6%
Cumulative	59.7%	6.5%

The [2019 Dhandho Annual Report](#) was just released less than two weeks ago and is on our website for your perusal. This letter seems a bit redundant and so I've included pertinent excerpts from the annual report in this letter. The annual report has expanded commentary on Dhandho Holdings (pages 2 – 5), the India Zero Fee Funds (pages 5 – 14) and the Junoon Zero Fee Funds (pages 14 – 19).

Dhandho Holdings

Dhandho Holdings' estimated NAV at 6/30/20 was \$2.07 per unit, up 28.5% over the 3/31/20 final NAV of \$1.61 per unit. Year to date, Dhandho Holdings' NAV is down a modest 4%.

From the annual report:

We delayed this annual report as I have some great breaking news to share! At the beginning of 2020, we had two payments remaining from Francis Chou, the buyer of Stonetrust:

- 1. A \$2 million payment due on January 1, 2021, and*
- 2. The final \$9.4 million due on January 1, 2022.*

Both payments were subject to adverse development on pre-closing claims. This \$11.4 million receivable was carried on our books at \$5.2 million to account for the time value of money and the outstanding warranty on any adverse development of pre-closing claims. In June 2020, we came to an agreement with Francis for the full early payment of the remaining amount due to us at a \$2 million discount.

The discount was given to account for the time value of money and to permanently release Dhandho from all claims of adverse development at Stonetrust. It is a win-win for both parties and it took Francis and me less than ten minutes on the phone to reach a deal. The \$9.4 million cash paid to Dhandho represents a full and final settlement of the Stonetrust transaction. This ends our journey with Stonetrust.

Once I realized that the Stonetrust purchase was a mistake, I focused on a quick and graceful exit. It was important to me that we not only minimized any permanent capital loss, but also left Stonetrust in great hands. Mission Accomplished! Not only did we sell Stonetrust for a small gain, but the company is thriving under its new ownership and leadership. Stonetrust has a wonderful control owner in Francis Chou and an excellent CEO in Mike Dileo. Its surplus is at an all-time high, which is great for all its policy holders, claimants, team members and owners.

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Here is an approximate breakdown of our tangible assets:

<i>As of 6/30/2020, estimated, unaudited</i>	<i>Value</i>	<i>Value Per Unit</i>
<i>Stock Portfolio</i>	<i>\$ 17,000,000</i>	<i>\$ 1.12</i>
<i>Investment in Tandem Fund</i>	<i>\$ 9,000,000</i>	<i>\$ 0.59</i>
<i>Cash</i>	<i>\$ 4,000,000</i>	<i>\$ 0.26</i>
<i>Other (e.g., Dhandho Funds book value)</i>	<i>\$ 1,400,000</i>	<i>\$ 0.09</i>
<i>Total</i>	<i>\$ 31,400,000</i>	<i>\$ 2.07</i>

Stock Portfolio

The diligent reader will note that Francis recently gave us \$9.4 million, but cash is just \$4 million. The reason is that we have already put several million to work. We are still buying one position. If it stays within our buy limit for a few more days/weeks, we'll have used all the cash in short order. I love the stock portfolio at Dhandho Holdings. We have some great irons in the fire that

are likely to change hands at meaningfully higher valuations in the years ahead. I hope I am smart enough to leave the stock portfolio alone for a few years.

The Zero Fee Funds

India Zero Fee Funds

The India Funds were up 27-30% in the second quarter, vs. 20.5% for the S&P 500 and 28.5% for the India Small Cap Index. Year to date, the India Funds are down 19%, vs. the India Small Cap Index which is down 15% and the S&P 500 which is down 3%.

From the annual report:

*Much of our decline stems from significant (and I believe temporary) drawdowns in a few of our holdings. I discussed these in the [April 2020 Letter to Partners](#) (to access, the id: **dhandho** and pw: **zerofee**). I am confident that the intrinsic value of the India Fund is multiples of its current value – well over 3x from present levels. We will do quite well over the long run.*

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The deliberate actions we have taken since the onset of Covid have increased the intrinsic value of the India Funds further. We continue to be at a very significant discount to the intrinsic value of our underlying holdings. Coming out of the last sharp downturn in 2008/9, Pabrai Funds went up more than 4x in less than five years from 2009-13. At the time, Pabrai Funds had overdosed on discounted pies. Today, the India Funds is mostly loaded with great growing pies. Growing pies bought at reasonable valuations will virtually always do better than discounted pies. We'll likely do even better this time around.

Junoon Zero Fee Funds

The Junoon Zero Fee Funds were up 22% in the second quarter, vs. 20.5% for the S&P 500. Junoon rebalanced on April 1st and the new constituents performed quite well in their first quarter. Year to date, Junoon is down 15.8%, vs. the S&P 500 which is down 3%.

A few excerpts from the annual report:

A Tale of Two Indices

Since its launch in 2016, Junoon has significantly underperformed the S&P 500. Our backtests showed that Junoon periodically underperforms the S&P 500 for multiple years, but over the long haul it does better. Most of the S&P 500's edge over Junoon has come from a sliver of highflyer stocks. While the S&P 500 has averaged a 12.4% annualized rate of return, its 380 smallest components by market cap are up just 5.7% annualized. Then, there are the following ten highflyers:

1. *Facebook*
2. *Apple*
3. *Amazon*
4. *Netflix*
5. *Alphabet (Google)*
6. *Salesforce*

These top six make up the FAANGS. The remaining four are:

7. *Microsoft*
8. *Adobe*
9. *Nvidia*
10. *Paypal*

All ten are incredible businesses with amazing moats and growth prospects. Their weight in the S&P 500 is about the same as the 380 smallest market cap businesses in the index. These ten stocks have been on fire. They were up an annualized 35.7% over the 2016-20 period (versus just 5.7% annualized for 380 smallest S&P 500 constituents). The S&P 500 returns over the last few years is really a story of two indices. A few highflyer names have been on a tear while the rest of the index languishes.

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Junoon, on the other hand, hardly has any highflyers in the mix. The only FAANGS it owns is a 3.4% stake in Alphabet (Google). Google's valuation is far easier to justify than that of Salesforce or Tesla. Junoon is very well positioned to trounce the S&P 500 in the years ahead.

Alignment of Interests

My investment in Dhandho Holdings was worth about \$6.5 million at the 6/30/20 NAV and The Dakshana Foundation's interest is worth \$0.4 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 given units to management below fair value, etc.

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**.

Online Portal for Investment Statements

All of you should have received an email from Liccar Fund Services with instructions to set up your own online portal to access your investor statements moving forward. If you clicked the link in the email and set your password, then your 6/30 investor statement will be uploaded to your portal later this month and you will receive an email alerting you when it is available.

If you have not yet set your investor portal password, your investor statement will be emailed to you as usual and we will reach out to you again this quarter to set up your account. Please contact Valerie Magursky at vm@dhandhofunds.com if you experience any issues in setting up your portal.

Annual Redemption Date Only for Retirement Account RMDs

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law in late March 2020 to provide economic relief to Americans due to the lockdown restrictions. The law suspends for 2020 required minimum distributions (RMDs) from tax-deferred 401(k)s and individual retirement accounts (IRAs). You can read more in this [Forbes](#) article. In addition, the RMD age threshold has been permanently increased from 70.5 to 72.

Although RMDs are not required this year, we will still have our annual redemption date on September 30th only for retirement accounts invested in the PIFs in which the beneficial owner is 72 years or older. The purpose of this addition is to allow folks who are 72 years or older and who are invested in the PIFs with retirement assets to meet their annual RMDs. The maximum amount that these folks can redeem on September 30th 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.

We recommend that these folks make their first redemption request with the next 5 years in mind and redeem 20% of their balance. They can then keep those retirement funds in cash or a low-cost index fund with daily liquidity (e.g., an S&P 500 index fund with their broker/custodian) and tap that annually for RMDs as needed. Then, each year, they can redeem an additional 3.5% - 7% to make sure that they have sufficient funds for RMDs at all times.

We need to receive the redemption request with 60 days' advance notice (i.e., by August 1st). Please nudge Valerie Magursky at vm@dhandhofunds.com if this is of interest and she will provide you with a redemption request form.

Chai With Pabrai Blog

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

Fireside Chat with Jeff Pintar - May 21, 2020

I very much enjoyed my fireside chat with Jeff Pintar, CEO of Pintar Investment Company. We discussed what the world may look like post-Covid 19 and the current investment landscape. We also talked about a lifetime Blackjack ban I recently received from a Las Vegas casino.

<http://www.chaiwithpabrai.com/blog/fireside-chat-with-jeff-pintar-may-21-2020>

The Investors Podcast - May 2, 2020

I very much enjoyed returning to the Investor's Podcast with Preston Pysh and Stig Brodersen. We talked about biases in life and investing, pre-investment checklists and hidden moat businesses. We also discussed Dakshana Foundation and approaching philanthropy with an investor's mindset.

<http://www.chaiwithpabrai.com/blog/the-investors-podcast-may-2-2020>

Mohnish Pabrai: A Bull's View in a Virus Shop

I very much enjoyed my recent chat with SumZero's Founder/CEO and my good friend Divya Narendra. I discussed my thoughts on humanity's impressive response to COVID-19, and the mental models I use to approach investing in the context of the pandemic.

<http://www.chaiwithpabrai.com/blog/interview-with-sumzero>

As an aside, Divya's character makes an appearance as one of Facebook's founders in the movie *The Social Network*.

Suggestion Box

We are always interested in hearing how we can better serve you. Please feel free to email me any suggestions/feedback you may have at mp@dhandhofunds.com.

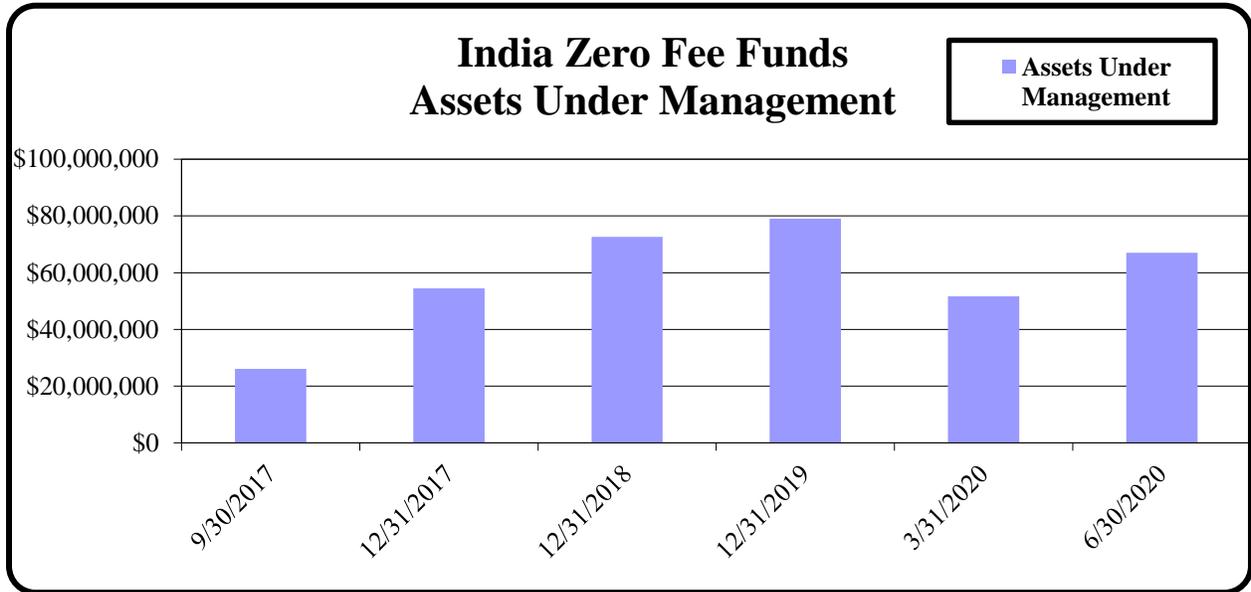
2020 Annual Meetings – Save the Date

Given the realities of Covid, there will be just one annual meeting in 2020. It will be held digitally via video conference on Saturday, September 12 at 4:30 PM Pacific (7:30 PM Eastern). The meeting and Q&A will last for a maximum of two hours. We will send you details closer to the date.

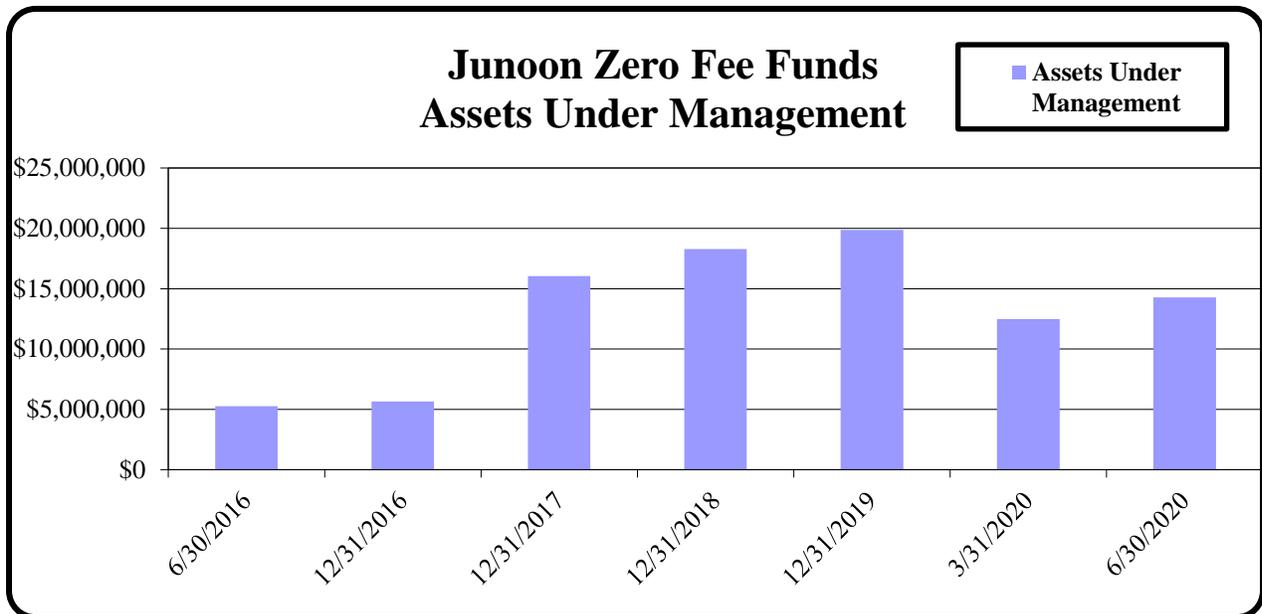
This meeting will be a combined meeting for Pabrai Funds and all Dhandho entities. I look forward to e-meeting you.

Assets Under Management

There is \$67.1 million in assets under management in the India Zero Fee Funds as of July 1, 2020.



There is \$14.2 million in assets under management in the Junoon Zero Fee Funds as of July 1, 2020.



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

Warm regards,

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

Mohnish Pabrai

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

Dhandho Funds uses the Vanguard 500 Index Admiral Fund (VFIAX) with reinvested dividends to depict the S&P 500 returns. VFIAX is an investable mutual fund product by Vanguard mimicking the S&P 500 Total Return Index with reinvested dividends.

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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
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
5,758,774	12/31/2019	\$7.63
5,932,677	03/31/2020	\$4.75
6,022,846	06/30/2020	\$6.17

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
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
4,586,341	12/31/2019	\$7.66
4,836,675	03/31/2020	\$4.85
4,836,675	06/30/2020	\$6.19

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
582,360	12/31/2017	\$13.05
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
853,033	12/31/2019	\$12.53
841,080	03/31/2020	\$8.66
824,765	06/30/2020	\$10.56

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
638,352	12/31/2017	\$13.26
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
724,336	12/31/2019	\$12.65
594,019	03/31/2020	\$8.75
519,186	06/30/2020	\$10.65

Appendix C

Dhandho Holdings Performance History (Net to Investors)

No. of Units	Date	NAV ¹
14,837,687	03/31/2014	\$10.00
15,218,640	12/31/2014	\$9.93
15,288,640	12/31/2015	\$8.36
15,218,640	12/31/2016	\$8.73
15,217,801	12/31/2017	\$4.92 ²
15,215,635	12/31/2018	\$4.12
15,215,635	03/31/2019	\$4.39
15,214,731	06/30/2019	\$3.58 ³
15,214,731	09/30/2019	\$3.37
15,193,811	12/31/2019	\$3.73
15,171,441	3/31/2020	\$1.61
15,171,441	6/30/2020	\$2.07* <i>estimate</i>

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

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

³ 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.