

Mohnish Pabrai's Session at the Investor's Podcast on April 1, 2024

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Stig: Welcome to the Investor's Podcast. I am your host, Stig Brodersen, and today we could not be in better company; Mohnish Pabrai has joined us for a conversation about life and investing. Mohnish, how are you today?

Mohnish: I am doing great. It is a beautiful day in Austin and we will be in Omaha in a few weeks, so it is wonderful.

Stig: That is wonderful to hear. Mohnish, I have had the privilege of interviewing you a lot of times, and it has always been a lot of fun. I have always interviewed them and then publishing this episode on the Berkshire weekend, quite a few people have gotten the wind of that. One of the wonderful things about getting the opportunity to interview you is that I have gone through all of your interviews over the past year. On the YouTube channel, there might be another 30 videos over the past year. In one of your wonderful interviews, someone said he was on a train ride with you. He met you in Omaha and then sat next to you on a train ride, and it was completely confidential. I wanted to use that premise and ask you some super selfish questions and just ask you something about life. Perhaps we get to speak about investing at some point in time, who knows? I wanted to start talking to you about life so I will get right to it here. The first question is that in 84, you sold a small stake in your business TransTech, and it was like a million dollars after tax. You turned that money into 13-odd million dollars in five years. You became financially independent. I think you were 33; very young. How did that change your relationships, if at all?

Mohnish: I do not think there was any change in the relationships I can think of. My friends were the friends and the family was pretty similar and the same. The only change I can think of is that I could pursue a more independent path, and I started to think about that. Like Charlie would say, his main driver for wealth was independence. The money freed me up to really think about how I wanted to spend my time and what I wanted to do. For example, one of the things I did at that time was that I fired myself from my company; the IT services company. I was not enjoying running it. I looked for and then hired a CEO to run it. I was making changes that were focused on what would give me the greatest satisfaction and joy. I knew that I wanted to spend more time investing, and I was not even focused much at that time on managing other people's money. At that time, my focus was just managing my own money. I felt like that was a nice enough pot that I thought I could grow over time and would allow me to lead the life I wanted to lead. The relationships did not change that much. Just the way I was spending my time on a day-to-day basis went through a lot of change.

Stig: Is it stressful for you by any means, to invest other people's money? I should probably have made a full disclaimer that I am in the privileged position of having invested with you Mohnish. I do not know if I should even ask you this question but does it add stress to your life to manage money for other people, because you are in a very privileged financial position now and so you could also just invest your own money now and perhaps not have that stress. What do you think about that?

Mohnish: I have actually never found it stressful. Of course there are times, like for example, during the financial crisis we were down 65, 67% from the peak. The index was down about 40%. There was a big drop. We had about 600 million of management before the financial crisis, and it was down to 200 million. What bothered me and I could not really do much about it at that time, was some of the people who came in at the peak and then redeemed at the bottom. I really could not do much about that; it was their money and they wanted to do whatever they wanted to do. That was unfortunate because I had no chance to make it back for them. But that was a small minority. Most of the money stayed. The gyrations to the extent that people start making decisions that are counter to their best long-term interests are unfortunate. I do not feel stressed about it, but I am a little sad about it and cannot do much. Other than that, I have never really found managing money to be a stressful situation at all. In fact, what has happened is that it has led to some wonderful new friendships and wonderful new relationships. I have been able to interact with folks that I would not have been able to interact with. It has also made it easier to engage with the businesses that we invest in. They pay a little bit more attention because we have got some size. That is a little bit of an advantage. Overall, I would say the pluses outweigh the minuses.

Stig: I am happy to hear that. I know that you have not been shy of telling students not to use Excel, but you also mentioned that during the financial crisis, you had to climb up from that hole and use Excel because in your Excel sheet, you could see what was the intrinsic value, and then you could look at the tickers and it would tell you something very different. Have you fired up Excel since the financial crisis?

Mohnish: I still keep that spreadsheet because I think it is useful to understand. We get quoted values on the businesses that we own but it is also useful to know what I think might be the underlying value of the businesses that we own. I still have a very similar spreadsheet, and I do update it periodically. It does not take much time. We might have one or two new ideas in a year, and so there is not much movement. But one of the reasons why that was helpful is that we had invested a few years back in a Turkish company where there was such a big gap between price and value, that it was kind of useful to understand what the whole thing is worth. It was also needed because we have so much concentration in one of the funds with that position, that I needed to educate our investors that, "Hey, listen, if you sell or exit, please understand what you are selling. You are selling based on market value, but the intrinsic value may be much different than that. In the financial crisis, the rope was important to pull me out of a deep well. Now I am in, but it is really a beacon; kind of like a notch star, which tells me how I should think about it. For example, in a particular business, Reysas in Turkey, we own about a third of that business. I really think of it like a family business. I am not part of the family that founded that business. I am not the part of the

family that runs that business but I feel like I am part of an extended family that has ownership of this business and asset. I think of it almost like a private position; like we own a private business. My goal with that business is to own it forever. As long as the family that owns the business and runs the business maintains their ownership and they are the managers running the business, we do not want to make any changes. That mindset is important. I try to use that mindset in some of our other positions as well because that is really the name of the game; once you have ownership or partial ownership of a truly wonderful business that you acquired at a wonderful price, you are done. Not much to do; just watch the paint dry.

Stig: Go to Tokyo and have Sushi like you have been known to do; the good things in life. Mohnish, which period of your life have you been happiest and why?

Mohnish: I would say I have always been a happy guy in general. I have usually tried to set up my life in a manner that I am professionally very satisfied with. There have been periods in the past when I was professionally unhappy and those were tough periods. But I would say that the current period is as happy as I can remember any period being. It would be hard for me to calibrate, but I can think of two or three times in my past that were not great periods where I was out of alignment, and I was not in a good place. When I look back since I was 18 when I started college till today, I am going to be 60 in a few months, in these 42 years, there have been a few single-digit years, maybe two or three single-digit years that were not great. But those were the periods where I made changes. Where I was not happy with the situation, and I took the bull by the horns and it transformed things so that I have not had that type of situation in several decades. It has been great.

Stig: Wow. That must be wonderful. One letter that you refer quite a few times to is Buffett's 2022 letter where he talks about those 12 decisions that improved the strike record. Because we are at this concert, and I do not want to play the greatest hits, I am not going to ask about the best investment decisions, but aside from your decision to sell TransTech, which other decisions have made you the biggest improvement in terms of happiness?

Mohnish: That is a great question. I have only had one employer in my life. I only worked for one company in Chicago called Tellabs and I had started with them in R&D and engineering. After about two and a half years, I was quite unhappy with the situation. We did not really have great projects and I did not have a great manager. I was going through a lot of confidence issues and I was a very young guy at that time. I really needed better mentors and better managers. I made a change at that time when I moved from engineering to marketing. That was a tremendous positive change that really led to a very euphoric period; and great professional satisfaction. It was wonderful. Then another period was when I made the transition from TransTech. There have only been two or three of these periods in my life where I was hitting a low point. The actions I took to get out of that low point led to new highs and led to great highs.

One of the reasons why I think the happiness equation has worked as well as it has is because I am always asking myself the question, "Are you happy? Are you content? Are you satisfied? What would you like to change? What would you like to do differently?" For example, one of the changes I have made in the last

few years is I try to kick the tires a lot more on the businesses that we own. I have been spending more time visiting the plants, coal mines, coal terminals, and warehouses; different things related to the different businesses that we own. I enjoyed that. First of all, it has helped me understand those businesses a lot better. But I also regret that I should have done more of that earlier. I was a lot more of an armchair investor earlier, and that is a comfortable place to be, but you can miss a lot when you are an armchair investor. It helps you understand the business better when you are in the field and you are meeting the different people who are doing different things in the business. That is an area I am trying to expand in my life. It leads to more travel and things, but there is a huge payoff as well, which is great.

Stig: You mentioned the happiness equation just before, and I wanted to talk a bit more about that. If I say that we have two mental models; one is you figure out what makes you happy, and then you do more of that, and the other mental model, which is, you have some things that make you unhappy, and then you invert. Which one would you choose and do you have other mental models in terms of optimizing for happiness?

Mohnish: Well, I do not think it is one or the other; you have to do both. One of the things a lot of humans do is they drift through life. For example, you have a friend who has some shortcomings and, sometimes loyalty overrides rationality, and that can have a negative effect. It is easy to be in a status quo, but first of all, to grow as a person and to have a higher degree of happiness and a higher degree of satisfaction, you have to take the bull by the horns. You have to be deliberate in expanding the very healthy relationships, grow them, and deemphasize the ones that do not get you there. Those types of actions, a lot of humans are not willing to take, because loyalties get in the way, or other things get in the way. I am always trying to do that. When I moved to Austin, I started meeting people at my home for Assam tea in the afternoon, a couple of times a month. I can only handle so much with humans. A couple of times a month I am happy to step out of my cave and I meet someone I had not known or met for an hour or so. I tried to pick them based on the possibility that there was something possible there. People reach out to me if they would like to meet me. Of course, I cannot meet all of them, but in some cases, something is intriguing about the person, so I decide to meet the person. Most of the people I met that way have been wonderful to meet. It still does not result in anything. It is a one-and-done because there is just not enough there. Of course, I already have so many relationships and friendships that there is not that much room to keep adding an infinite number. I am much happier with fewer relationships, but deeper relationships. My dad used to say that if you have one good wife and one good friend, there is nothing else you need in life, and that was always my focus. These afternoons of *Chai with Pabrai* have been wonderful, and they have led to some new, wonderful friendships. It is just a small number. The ratio is small but I am okay with that. I feel happy when I meet someone, and I conclude that we probably will not have a deep friendship here, because I feel like we explored something and that is good. It is good to explore and check one off the list and keep the exploring going.

Stig: Rumors have it that the Assam tea is very good; that is what I am told.

Mohnish: If you find yourself in Austin, Stig, we will have Assam tea.

Stig: I would love that. I am also worried because it leads me to the next question, not about the Assam tea, but I am a bit worried because you said in an interview that at that time, it was around 34ish people who had come to your home and you said one person made the cut. We have previously also talked about how to live a life of not telling lies. I would imagine that more than one of those people who you had in your home might have felt that you were great buddies. Now, perhaps you let one pass the filter, but perhaps the other person now feels that you are best friends. Let us say a person reaches out to you after being in your home, getting the best Assam tea, and then saying, "Hey, Mohnish can I pop by next Tuesday?" How do you say *no* to that person?

Mohnish: One of the things I learned from Warren is you have to be good at saying *no*, and you have to be direct. I have always tried to be candid with everyone. One person came recently; a nice person. But also part of it is that I should just caveat this, that I may or may not fully understand that person after one meeting. I am making a judgment call based on Buffett's principles. When I had lunch with Warren, I told him, "Charlie and you are such fantastic judges of humans. Were you always a great judge of humans or is this something that you picked up over the years?" He says to me, "Well, first of all, Charlie is a lot better than me, but I just want to correct you, Mohnish. I am not a great judge of humans. If you put me in a cocktail party with a hundred people, and you gave me five or 10 minutes with each person, I could tell you that three or four people are exceptional and wonderful. I could also tell you three or four people are folks that you will have nothing to do with. The other 92 or so, I really would not have an opinion on because it is not enough time to form an opinion." But then he said that the three or 4% who are not great, and the 92%, who are unknown, he puts them both in the same bucket, which is harsh, but it is what you got to do. He says, "I will try to have a relationship with the three or four great people and ignore the rest." That is an unfair system because, in that 92%, there are probably many good people; it just did not come through in that short period and that is the same thing with my Assam teas. In one hour, I am not going to be able to precisely nail down where everyone stands and what the realities of something that could be a great relationship are. But just like in investing, there are no call strikes because there are an infinite number of humans on this planet. Because there are an infinite number of future Assam teas, you can set a high bar and there is not much of a price you pay for not recognizing a great individual, but there is a huge negative price to be paid for letting someone in that may not be the right person to let into the inner circle. It is an unfair system. It is a bad system, Stig, but it is the system that Warren uses and who am I to try to improve on that system. What I look for is when I meet somebody, I reflect after the tea. I say, "Okay, what do I think? What is going on?" The most recent *Chai with Pabrai* I had that person ask me to come to his place. He lives very close to my home. He said, "I was happy with the Assam tea, but I am a fan of Darjeeling Tea. I make a great cup of Darjeeling tea. Would you come to my home so that we can have Darjeeling tea?" I like the guy so I agreed even though I did not tell him Darjeeling is not my favorite. But it is okay, if the company is good, we can deal with mediocre tea.

Stig: Whenever you say that you are a harsh grader, and whenever you say you want to be direct, of course, you also want to be kind, but do you say, "It was great meeting you," or do you say, "It was not great meeting you," if it was not a great meeting.

Mohnish: I have enjoyed these meetings. I am not lying when I am telling them I am not. I have enjoyed meeting these people because they go through a lot of filtering process before they show up, and I learned from everyone. They are wonderful people, so I am very direct with them. There was a person who came a few days back and he was interested in going to dinner with my girlfriend and his wife; the four of us together. Now that adds more layers of complexity.

Because she is going to ask me a bunch of questions. Who, what, where, what are we, what are we doing here? What is going on? To me, it was obvious. I did not even ask her. It was obvious to me that that was not going to be in the cards. I just told the person, "I am sorry, things are too busy. We cannot do it. All the best." Then he had a very gracious response, so it was fine.

Stig: Okay, wonderful.

Mohnish: When you are direct with people, it is not like they are sad; they appreciate the candor.

Stig: Thank you for saying so because most of us come up with bad excuses and then we have to remember what we lied about last time, and we paint ourselves into a corner.

Mohnish: Yes. Do you remember the book *Power Versus Force*?

Stig: Yes, exactly.

Mohnish: We talked about it. You have to choose truth over diplomacy. When you choose truth over diplomacy and you play that long game, you come out ahead. It is a disservice. If I am not candid, it is a big negative. I try to be as candid while not trying to be abrasive.

Stig: Mohnish shifting gears here a bit I want to talk about bridge. I know that was a, no pun intended, but a weird bridge to my next question. You teamed up with Dr. Jack Skeen in 1999ish. He gave you this owner's manual and you learned that you like to play games, you like single-play games in particular. With that in mind, I have learned that you are also really into playing bridge. I cannot help but ask you, I do not know if this is an either-or, but why are you so much into bridge and not a game like Hold'em poker?

Mohnish: It is funny Warren Buffett is a very good bridge player. He plays with a former world champion as his partner. Around two decades ago, he was invited to a poker tournament. He studied up a bit, and tried to understand how to play poker; it is a very different game. He did very terribly in poker. He went back to his bridge. I have played poker a few times, and I have never really gotten enough into the game to study it in depth. It is also a game of probabilities and you would know what to do better if you had a lay of what cards are left and what is going on and all of that. But the thing is, poker has elements of luck and elements of skill. The elements of skill are very significant because we do end up with some world champions who have a repetitive streak of getting to the last final table. Skill is significant, but there is a luck element in poker. Bridge, on the other hand, has zero luck element. It is purely a skill-based game. That

has more appeal to me. It is also difficult to play poker without some money at stake. It is kind of intertwined with money. When I used to play bridge with Charlie, that was Social Bridge. We played for money. It was small stakes, but if I lost a hundred dollars or \$150, Charlie would be very delighted to collect that from me and his eyes twinkled thinking, "Mohnish's 125 is coming to me." Likewise, when I took money from Charlie, there was something very special about that. The small stakes worked with Social Bridge and it was okay. I am okay with Social Bridge, but I really enjoy Duplicate Bridge. Duplicate Bridge is purely skill-based. There is no money in the picture. We do it for points; points really have no value other than psychological value, and that is fine. We try on different gloves and some gloves fit well and work, and some gloves do not fit well and do not work. I have played poker dozens and dozens of times, many times in social situations with very good friends and all of that. It has just never gotten to the point that I wanted to do it all the time. I am playing at least four to six hours a week of bridge. Warren is playing even more than that. Warren is probably playing more than 10, to 15 hours a week of bridge.

Stig: That is interesting. I went to a bowling school where you could choose bridge as an elective. It was a great experience; you go there, you go to a tournament and there was someone with oxygen tanks. You kind of think, *I got them*, but then you just wipe it forward because they are so much better than you. It definitely makes you humble. I am not saying I was ever a good bridge player, perhaps I am a slightly better poker player, but I think in terms of investing, poker has been helpful because you learn how to control your emotions and to lose money, which I would say you probably do not do to the same extent in bridge, or at least not the type of bridge that I have been playing. It was very interesting to hear your take on how you just saw the two games and bridge was just perhaps just more fun, and you did not see it as a segue into investing by any means. Thank you for sharing Mohnish.

Mohnish: Bridge is more directly tied to probabilities because there is no luck element. In investing luck may come into play in the sense that you may accidentally end up with a great manager or something that you did not understand at the outset. But the probabilities dominate. We try to ascribe probabilities to different things, so it kind of works.

Stig: I am going to take the liberty here and define a principle as something timeless and something similar across all cultures. If we use that definition, which principles do you live by and why do you live by those principles?

Mohnish: Some principles are very front and center. A lot of these become intertwined with mental models. For example, like we talked about *Power versus Force* and the importance of truth and candor. That becomes a very core principle. Integrity, honesty, and trust are attributes that will make the world your oyster. It is a huge advantage to be trustable. Being trustable is a long game. It is an infinite game. It does not happen overnight. You have to be willing to play that long game to build trust. We had a high school intern at Pabrai Investment Funds who would help us with mailings and different things, like sending books to stake and so on. What my assistant told me was that he would say, "I am going to be there on Tuesday at 3 o'clock to work on stuff," and then he would not show up. Or he would say, "I am coming Wednesday at this time," but he would not show up. She said that when he does show up, his performance is

exceptional, but when he says he is going to show up, there is a 60% probability that he is going to show up. I never talked to him, but I told her, "Munger says that one of the most important traits is reliability. Unfortunately, this young person does not recognize how important it is to be reliable. He can easily tell us that he is not available this week. We would be fine with it. But why lead someone on?" Charlie says that one of the best educational institutes on the planet is McDonald's because it hires very young people, and one of the most important traits they learn at McDonald's is reliability. Now, they are not like us in the sense that if you tell your boss at McDonald's, you are going to show up at 3:00 PM and you do not show up, by the second or third time you do that, you do not have a job. Even the second time you do that, you will not have a job. Reliability is extremely important for McDonald's because they will not be able to service their customers otherwise. The young people who work there get that work ethic, which is great, and that is why Charlie thinks that they do such a great job. The principles that carry the most weight are the most basic; trust, reliability, integrity, honesty, truthfulness, hard work, diligence, and fairness. People like to be treated fairly. If people are working for you, they really want to see that things are fair. These are just basic principles that you have to live by. If you do not do those, then in the end you will be the loser.

Stig: Why do so few people live by those seemingly simple perhaps not easy rules?

Mohnish: Because the payoffs do not come immediately. Trust is something that pays off after decades. Just think about Warren and Charlie. How old were they when the world started to trust them? Even outside the US, Buffett was not very well known till maybe 15-20 years ago. It is a lifetime of doing something that eventually leads to that type of outcome. A lot of people are looking for shortcuts. They do not want to play the long game. A used car dealer is just focused on, "Hey, let me take this sucker for the maximum I can. Who cares about the next one? He is not going to buy another car for so many years, and he might never, ever show up here again." It is a very transactional one-off relationship, but over time, you end up with the shallows in life. People cannot see that because like I said, you have to connect the dots. This type of reliability and trustworthiness gets built over a long period. It is not overnight. You do not get to see the results of that relatively quickly. That is why people do not do it because they want to see X equals Y. If I do X, then Y happens. But here, no XY relationship is visible until a long time later.

Stig: That is why some companies that should be buying back shares are not doing it. But that is a different discussion, I guess.

Mohnish: Yes, and as I said, even the best companies play the long game. We are seeing right now, for example, at Boeing, a situation where Boeing used to be an engineer-led company, and after they merged with McDonnell Douglas. The bean counters took over and the bean counters focused on, "Hey, can we increase earnings 10, 15% a year? They must be fat. We can cut." For example, if you look at something like the 737 aircraft, which is the workhorse, there was a demand for 737s with more capacity. Quite frankly, that airplane with that fuselage cannot grow infinitely, because also to have more capacity, you need bigger engines. What they did was they put these massive engines on the old 737 fuselages. If you look at the max, the engines are huge. Then they extended the fuselage and so they told the engineering groups that, "We know you are

telling us that we should go to square one and design a new airplane, but that is 8-10 years, and several billion dollars. Can we just modify this?" They forced the modifications, and then we had the two crashes. The max is a bean counter that is what happens when you have bean counters running engineering. They started not playing the long game. They played a short game. Now, there is a "Come to Jesus" at Boeing and it is terrible because quite frankly, we only have two aircraft manufacturers in the world. We need Boeing to be a high-quality, great engineer-driven company, that builds great airplanes and plays the long game. People are very willing to let Boeing make a lot of money. No problem. But please play the long game. We see businesses like Boeing, which are such great businesses suddenly decide, "Let us cut corners."

Stig: Mohnish, I want to read books the way that you do. I remember we had a conversation a few years back and you said that if you do not find a book interesting, just like a stock, if it is too much debt, you just stop reading it. I am practicing that. It is surprisingly difficult for me not to read a book from A to C, but I am practicing that. I wanted to ask a bit about your reading habits. Do you take notes in your books or do you put them into a document? How do you process the information you read from books?

Mohnish: I want to give you some information, Stig, that I have never given in any interview ever.

Stig: I am intrigued.

Mohnish: Since I was in kindergarten, all the way to finishing my undergrad and even taking grad classes and so on, I never took notes in any classroom when a professor or teacher was teaching. Everyone around me is taking notes. I am just focused on listening to the person or watching what is going on. I had never, ever taken notes. What I would do is when there is a test that is going to happen or whatever, I would go to the textbook and say for example, "Okay, we have chapter three and chapter six on the test." I would read up on those and get ready for the test. Sometimes what would happen is the professor is not teaching from the book at all, and I am saying, "Oh, what he talked about, I am screwed without notes." And now there is a test, and I am like, kind of scrambling, trying to figure out. I call my friends and say, "Hey, what are we supposed to prepare here and what are we supposed to read here and whatever." But I never changed that habit. Somehow that habit has stayed with me, and I graduated near the top of my class in my undergrad, and I did well. I made it to 60 years of life without taking notes. And even when I am reading books, I mean, if I didn't take notes in class, I am not going to take notes when I am reading a book. It is not going to happen. I have never taken any notes anywhere. I want to also touch on two different data points that you brought up. So Bill Gates has a situation which is like Stig, if he starts a book he has to finish, it has to, he is obsessive-compulsive okay, Charlie is not like that or was not like that at all and I remember I was talking to Tracy Britt, and Tracy said that you know Warren studied Lehman Brothers during the crisis. I think he was looking at whether he should invest there or not, etc. He read their annual reports and different things, and she said, I got the hard pages that he read, and I looked through all the pages for his notes, and she said there was almost nothing. There were like couple of places where there was something underlined or something, but there would have been less than five words of

notes in all those 10 Ks that he read for Lehman Brothers. There was really no record. I was trying to figure out what he was thinking about it. Whatever he was thinking was in his head and nothing was kind of put down on paper. One time, Berkshire did some acquisition and the SEC was questioning; there was some insider stuff. They sent Berkshire a request saying, "We want to see all the staff notes for this acquisition." Munger sent them a response that said, "Sir, there is no staff, and there are no notes. Warm regards." That was the end of that.

Stig: That is fantastic.

Mohnish: I am sorry to disappoint you, but I am not a note-taker.

Stig: Interesting. Well, thank you for sharing. That was insightful. I am going to ask you some questions that are investment-related. They are going to be a little bit different than what you are used to. It is no secret that you have a great track record, but you have been handling the beating, the S&P 500, for more than two decades now. I am teasing myself up to ask you, and I do not know if this is going to come across as rude or, perhaps even the opposite. If you started Pabrai Investment Funds over a thousand times, do you think your current track record would be better or worse than what it is now if we subtract good and bad luck? Please feel free to challenge that premise and say that it has already been evened out. Good and bad luck for now.

Mohnish: First of all, I should just preface and say that I started investing in the 94-95 timeframe from then till about 2018. If you look at any period, one year, five years, 10 years of life, whatever I beat the S&P, all the different funds, I managed. We have been behind the S&P from 2018 till now in most of the funds. But we have also turned a corner, I think from 2020 onwards. We are again beating the S&P. We have to go a little bit longer period, a few more years. Then we will again be back to beating it over all periods. It is a difficult question to answer. What has happened over the years is that I have learned a few things along the way and I have changed some approaches along the way. I do not know what the answer would be. I would think that in most of those scenarios, we should end up with a decent record. But it is hard to say. At the end of the day, it is the individual names, and it is a sliver of those names that lead to the outcomes.

Stig: Yes. That is why I cannot help but ask that question. In a game like poker, if you play enough hands and hundreds of thousands of hands, the luck element goes away. But then if I look at you, as an investor, I get the letters from you and I can see different track records for the three funds that you have. They were more or less started at the same time. and the results are quite different. You were presumably a good investor, whenever you invest for those three funds and for whatever reason. For example, Reysas has a bigger position in one of your funds than the other funds, which I am personally very happy about. You do get different results, which is why I wanted to ask you about what we ran into a thousand times, and I do not even know how to ask that question the best possible way because whenever you said you saw the dotcom bubble, but that was also because you had made some private investments. You sort of saw what was coming. Is that bad luck or is that good luck that you knew that going into it? Can we even put that into a simulation? Can we even do the same

period? How do you think about luck whenever it comes to your own track record?

Mohnish: It was a huge advantage for Pabrai Investment Funds that I had a front-row seat on. I could see what was going to happen maybe three months ahead of what others could see, and I completely sidestepped the bubble and did well. Part of that I think is luck. The experience I had or what I had observed, we did not have the same situation in the financial crisis. When we had the financial crisis at that time, I really could not see it. I did not see it ahead of time and we paid the price. We had some investments go to zero, and we had a lot of things get marked down. It is not perfect. You cannot always have a crystal ball seeing what we are doing. Like Charlie says, "We are old too soon and wise too late." I wish I had some of the insights I have now, 20 or 30 years ago. That would give me a huge advantage. But it is what it is. We take it as it goes. I do not spend any time thinking about it the way you are suggesting. My focus is that we have a certain reality of positions, we own assets, we manage opportunities available, and then we do the best we can with all that.

Stig: That is just a healthy way of looking at it. Because of Charlie, you got all these wonderful questions about stories about Charlie and how you remember him. One of the things that you mentioned in other interviews is that he is so good at looking forward, not thinking about everything that has been in the past, which is just wonderful. I kind of feel bad about asking you this very theoretical question, but again I am not here playing the greatest hits. Let us say I am the genie coming out of this bottle here and I am going to grant you a wish. I am going to tell you that I have an account here and there is a 20% interest rate in perpetuity if you put money into that account. But the price is that you can never invest your own money. You can take your own money and put it in this account, you get 20% like clockwork. You get 20%, but you cannot play the game of investing. Would you ever take that bet or not even bet? Would you ever do that knowing that you do not need the money from that 20% compounding, but you perhaps love to play the game?

Mohnish: That is a great question. I do very much enjoy the game, but that would be a very tempting offer. I would have to think about it. You are suggesting it is all or none, right?

Stig: Yes.

Mohnish: Right. I would say that I might take it and go all in on bridge.

Stig: Wonderful.

Mohnish: I will be playing math games. There was a guy who had invested in my fund a long time back maybe more than 20 years ago. He said that one day he had opened Barron's or something, and there was some article on Berkshire He saw that the stock was like 70,000. He is a smart guy. He said, "No company on the planet is worth 70,000 per share." He did not know anything about Berkshire, nothing about Warren Buffett and he shorted the stock. He met me a few years after getting burnt on that short. He told me, "In the early eighties, I had noticed that the US treasuries were playing 18%"; pretty close to what you said. You could have bought 30-year US treasuries in 1980 or 1981, and for 30 years, the

US government would pay you 18% a year on that bet. He told me, "Mohnish, not only did I short Berkshire, but I did not take that 18% bet." Most people did not take that bet. Then he told me, "I just want God to give me one more chance of 18% US treasuries, and I will put everything in. I promise God I will put everything in. I will never invest in anything again." Exactly what you were saying is what this guy was saying to me, which would have been smart for him to do. That would have been one hell of an investment, from 1980 to 2010 to get 18% compounded would have been unbelievable with no volatility.

Stig: What a story. Mohnish, I wanted to preface this question by saying I wanted to ask you about giving away money without talking about Dakshana which I do not know if it is even a fair premise. If we are good at accumulating capital, we should probably be accumulating capital instead of spending too much time, giving it away. Giving away money is very difficult. It is very difficult because you do not have that positive feedback, in terms of figuring out if it is right or wrong, and should make all kinds of disclaimers that you probably figured out with Dakshana. This is probably a weird question, but I am going to ask it anyway. Assume that you are better at accumulating money than giving money away. You want to help society, but you take so much more joy in giving money away than accumulating more capital whenever you are financially independent. How would you think about how to allocate your time?

Mohnish: Well, I did not want to spend time giving money away. I knew that I did not believe in large inheritances. If you do not believe in large inheritances, then you are going to end up with a lot of money. You will end up having one choice only which is to give it away. There is nothing else you can do. My focus in 2006-2007, when I was trying to figure this out, was to find a nonprofit that I could just write checks. I did not want to do the work. It is very painful to do the work. The first few years at Dakshana took an incredible amount of time and effort to get it off the ground. There were a lot of challenges in the early days. I was forced to do it because the model I wanted to follow, the guy who had that model did not want to scale. So I said, okay, we will just clone it because we have no other choice. Today I know of one or two nonprofits that do a really good job. If I were facing that situation today, I would look to them assuming they could absorb the amounts I was looking at. I think that would be great. My natural inclination was to not be building Dakshana or anything like that.

In hindsight, what has happened is that Dakshana blew away the most optimistic goals I had for it by quite a distance. The ball got hit way out of the park, and I never expected that. I actually expected to fail at doing something in India when I was not there. Dakshana has enriched my life in a way that I really could not have forecasted. It was definitely in 2007 when I was starting it, none of these things were on the radar. None of these things were even possibilities. It went beyond those possibilities. Now when I look back, I say, "Wow, Mohnish, you are really lucky because you actually ended up with something like Dakshana and the people I met as a result, the scholars who become such good friends and all of this stuff that is happening. I know that the real miracles at Dakshana will come about in the next few decades, and I am hoping that I have a nice long life because there is so much joy in all of those stories and miracles that are happening every day." You can just say that my middle name is Forrest Gump. I stumbled into this and a lot of things, just like I stumbled into a friendship with Charlie, playing bridge with him, and taking

money off him and all that, and stumbled into a relationship with Warren. There has been so much stumbling, but also I would say that you take some actions so that then luck can do its part. If you do not take the action, luck cannot do its part. From a very selfless point of view, I wanted to just thank Warren Buffett for all the things I learned from him. The lunch I bid for, though there was no ulterior motive, the only motivation was to see him eye to eye and say, "Thank you so much, Warren." I was willing to give Warren at that time up to \$2 million for that lunch, but we got it for much less. I felt like giving up two or 3% of my net worth at that time was very worthwhile in terms of a low tuition bill. That was all the thought that was paid. It added so many dimensions to my life. The friendship with Charlie was not a buy one get one free. It was buy one, get infinite lunches free, which is great. What I have learned is, that if you are a good person, working hard, putting yourself in the right place, and doing the right actions, the universe conspires to help you in very magical ways. I truly believe that, and I think as long as you are playing the long game, playing the infinite game, and trying to do the right thing, things have a way of working out wonderfully.

Stig: I wanted to tie a few things together here on that note, Mohnish. In William Green's wonderful book *Richer, Wiser, Happier*, chapter one might be the best because that is with you, Mohnish. Chapter six is with Nick and Sack. They talk about handing someone a loaded gun and then you can only treat the other person well. I found that to be such a wonderful framework. I started gifting William's book away to different people. Grant has this wonderful framework of givers, takers, and matchers which a lot of our listeners might be familiar with. I heard you talk about Dakshana and the idea behind it, you are not going to tell anyone to give 10% or 5% of whatever you make by getting help from Dakshana in terms of paying back to the school and helping others. You say, "Give, give, give, give, give." If you are a giver, beautiful things can come back to you. I have been trying on a very small scale to set up at a Dakshana Foundation. Whenever I do, I come up with these beautiful principles, I read your annual letters from Dakshana and it all sounds good. People tell me it is a very bad way of running any kind of non-profit. How would you give a rebuttal to that because it worked for you, Mohnish?

Mohnish: I would say that as Charlie said, we talked about McDonald's and reliability. If you want to get ahead in life, do well in life, and have a disproportional advantage in life you want to be a giver; you want to be reliable. Being a giver does not require you to be wealthy. We have so many poor scholars and students at Dakshana who give their time to us. They volunteer for us. They do not have anything else to give, but their time, and they are very excited to give that time. What I am saying is you do not need to be wealthy to be a giver. You can give within your means. It does not need to be anything related to money. The other traits, reliability, truthfulness, integrity, high empathy, caring for people, etc., play the long game. In the end, the universe will conspire to help you in a manner that would blow you away. I just think the skeptics do not know the way the world works, and you can see so many examples in history. It would be difficult to come up with examples of people who were very reliable, honest, hardworking, with very high integrity, and did terribly in life. That would be very difficult to come up with examples of people like that.

Stig: As we are nearing the end of our train ride here together Mohnish, what a wonderful way of ending a train ride. Anything you want to add here before we round off the interview?

Mohnish: Some of my best memories in childhood were train rides in India. William Green and I had two wonderful train rides when he was in India with me. He was drinking from a fire hydrant. There were so many things going on. He was full technicolor going on. I would just say that anyone listening to the video if you get a chance to visit India, try to take an overnight train journey. I think you will love that experience. The Indian government has set up several trains. The Rajdhani Express, the Duronto, and these go all over the country. You can catch a train at seven or eight o'clock at night and it pulls into your destination at 10, or 11 a.m. You do not lose much, and you have got a free hotel to stay for the night. I think that is a wonderful experience to broaden your horizons.

Stig: Fantastic. Mohnish thank you. Thank you so much for your time. It was a pleasure speaking with you as always, and thank you for playing along in this probably very different interview.

Mohnish: It was my pleasure Stig and I look forward to seeing the edited version.

Stig: Alright. Fantastic.

Mohnish: Thank you. Bye.

Stig: Bye.

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