

Mohnish Pabrai discussed his book, [*The Dhandho Investor: The Low-Risk Value Method to High Returns*](#), at MOI Global's Meet-the-Author Summer Forum 2019. Mohnish is Chief Executive Officer of Dhandho Funds and Managing Partner of Pabrai Investments Funds.

The following transcript has been edited for space and clarity.

Mohnish Pabrai: My objective in writing *The Dhandho Investor* was to crystalize some concepts in my own mind. As they say, the best way to learn is to teach. I found that the process of writing the book helped me formalize the principles inside. It was a useful exercise for me, and I'm happy to get a nice check from Wiley every year. They recently came out with an edition in India, which sold very well — vastly better than expected.

John Mihaljevic, MOI Global: The classic example that I think most know is the Patel story in the hospitality business as an illustration of what Dhandho means. Could you tell that story, or if you prefer, give another illustration of what you meant with this concept.

Pabrai: The Patel story is a great one because it illustrates the concept really well. In fact, in a number of conversations with Charlie Munger, he always brings that up and reminds people never to try to compete with the Patels in the motel business.

Taking a step back before we delve into the Patels, for me, the starting point of interest in value investing was a quote by Warren Buffett where he said, "I'm a better investor because I'm a businessman, and I'm a better businessman because I'm an investor." The parts of your brain that get used are the same, whether you're running a business or making portfolio decisions, and the frameworks are similar. Unfortunately, most professional money managers have never run a business before. That's a serious handicap because they're missing a significant framework. If you have an investment manager who's had experience running one or more businesses, they have a significant leg-up over their peers. I took the view in the book that if there's a lot of cross-pollination between being an investor and being a businessman, why don't we talk about some businesspeople, because the way they approach capital allocation and running a business directly dovetails into how an investor ought to look at their investment decisions.

One of the first examples I used was the Patels who came to the U.S. in the 1970s as refugees because they were being evicted from East Africa, from Uganda. When I wrote the book 12 years ago, the Patels had 40% to 50% market share. Of all the motels in the U.S., approximately half of them were under Patel ownership about a dozen years ago. That number is probably approaching north of 70% or 75% today.

The second thing that has happened is the Patels have moved upmarket. They used to be only in the low-end motels, but now they've gone into the Marriotts and the Hyatts and the Hiltons. They've done a masterful job because in all the cases, whether it's a motel or any of these other types of hotels, their competitive advantage has always been lowest-cost operator. Low cost is going to give you an edge in pretty much any business you go into. It's very difficult for non-Patels to compete with Patels on cost. It needs to be in your DNA for several generations to operate like that, which is why they keep gobbling up more and more share.

The Patels had a specific approach when they got into the motel business, which is that they were not interested in taking risks. They didn't have much money because a lot of their assets were confiscated by the state.

They came with a few thousand dollars. Buying a small motel did a few things for the family. One is it gave them essentially a free place to stay because they would take a couple of rooms and the family would stay there. The second is it would give employment to almost the entire family, because hotels are labor intensive with room service and maid service and all of that. The third was they could lever their investment. The bank could loan them maybe 70% or 80% of the purchase price. On top of that, they were able to run these places more cheaply than anyone else. When a Patel took over ownership of a motel in a given area, they would quickly survey who their competitors were and what they were charging, and then they would underprice versus all their competitors. The competitors had a difficult time matching the Patels, because matching the Patels meant you would lose money. The underpricing led to higher occupancy, and even though they were underpricing, they were making just as much money or more than their competitors.

Over time, as these motels prospered, they took the capital it was generating, and they kept buying more motels and kept handing them over to family members. Indians make up let's say 1% of the U.S. population. The Patels, from a small part of Gujarat, make up probably less than 10% of the U.S. Indian population, so you have something like 0.1% of the U.S. population controlling 75% of the motels. Anytime you see a phenomenon like that, you should ask yourself what's going on.

That's a quick intro to the Patels. The book delves further into their history and their methods, but that was the crux: you look at a business, you create a competitive advantage, and then you're off to the races. In investing, you're trying to do the same thing. You're either trying to buy a stock cheap so you can make money when it gets fairly priced, or even better, you're trying to buy a great business which is underpriced, and then that business continues to increase in intrinsic value, and you do very well by holding it.

MOI: I'm fascinated by the Patel story. It's understandable that when you have a family living and working in a hotel, that you are going to be the low-cost provider, but it sounds like some of the Patels have been able to scale to multiple units where it can no longer be the family doing all the labor. They have to hire labor. How have they still been able to remain the low-cost provider and to ensure that the competitive advantage remains intact when they're managing people at some point?

Pabrai: I think the game plan the Patels used was that as they started expanding, they would depute one of their relatives who had been trained in the "mother" motel, if you will. That individual had been well trained to look at every tiny cost. Let's say for example, you needed repairs to a water heater. Typically in a non-Patel motel, they would go about doing things a certain way, but the Patels would have spent the time to cultivate relationships and make sure they watch their pennies when they're looking at expenditure.

The key for scaling was not that they were employing family. The key was that they were watching the minutiae very carefully. It was like zero-based budgeting, if you will. They

looked at every expense and considered whether it was necessary, could it be done a different way, were they optimizing. The intense focus on cost came naturally to them, but it was somewhat unnatural for their competitors to be that intense on cost, and so you get an advantage.

I'll give an analogy, although maybe it doesn't quite work: no matter how much most full-service auto insurance companies try, they're going to have a delta versus GEICO in terms of cost because of the direct model. That delta has actually grown because of the internet. The Patels are just keeping their nose to the grindstone even when they have not had family members working there. Even when they've gone to full-service motels, they just watch their pennies a lot more carefully than most operators and most businesses.

MOI: It sounds like it's essentially a mindset they've kept, and you mentioned zero-based budgeting —

Pabrai: They look at every single line item with a fresh set of eyes and say, "Okay, we are not accepting any old rules of how it was done under previous ownership." They've had experience running motels, and they're familiar with every line item, so they understand how to optimize. Regardless of what industry you're in, each company has a DNA. Many companies become really good at focussing on the top line and growth, and growing their profits that way, while many companies focus on the bottom line and make the numbers work that way. The Patels have always been more interested in having a cost advantage, and because they also live frugal lifestyles, they were able to accumulate capital and help each other. Then over time, the banks became more comfortable lending to them because they saw how the historical default rates of this particular ethnic group or community were different from Joe Public when it came to buying motels. All of that snowballed into more and more of an advantage over time.

MOI: One concept that you popularized, but now is used very broadly, is this notion of "heads, I win, tails, I don't lose much." I wonder if that applies to the Virgin Dhandho that you have in the book?

Pabrai: I always get that quote attributed to me, though actually, that quote is not mine. There was a professor at Harvard Business School — I think now he's at Tufts — who's a good friend of mine, Amar Bhidé. He wrote an excellent book called The Origin and Evolution of New Businesses. It's a great book to read if you're starting a business because it goes into all these nuances of how entrepreneurs don't take risks and they're really good at dealing with uncertainty. So "heads, I win, tails, I don't lose much" comes from Amar, who mentioned it in that book. Even though Amar didn't intend that approach for value investing — he was looking at it more from the perspective of non-venture-backed startups — I saw that it fit in very well for value investing. That's the key with investing, even for Buffett and Munger. I think the first thing they look at is downside protection. If we as investors fixate and overdose on downside protection, the upside, in many cases, takes care of itself. If you can put floors on the downside, then you've got a huge advantage. That framework of "heads, I win, tails, I don't lose much" — in other words, when things don't work out, you get all or most of your capital back — is a huge advantage.

MOI: And the Virgin Dhandho, is that essentially where Richard Branson got into the business without a big investment upfront?

Pabrai: Yes. In fact, there was an announcement today about him taking, I think, Virgin Galactic public. It's classic Branson. He throws a lot of stuff up against walls. If you look at the range of companies he's started and the number that have failed, it's a good-sized number, but his downside in almost every case is limited. He's been really good at coming up with business after business where, like the Patels, he's fixated on what happens if it doesn't work. Because of that fixation, Virgin frequently gets to make almost risk-free bets. There was Virgin Cola, which failed. There are a number of failures in the Virgin group, but if you dissect how much money they lost in those failures, it's usually pretty small because they do partnerships. For example, when they set up Virgin Mobile, they did not set up their own network. They leveraged their branding, and they came up with unusual offers that appealed to people in terms of the way billing was done and the way customer service was done, but they pushed the cost of the network off on the incumbent carriers. He's been really good, even looking at capital-intensive businesses like airlines and getting into them without putting up capital. Virgin Atlantic had almost no equity put into it. If it had failed, they would have lost hardly anything. In fact, at that time, they had a music business that was doing really well and could easily have carried them if the airline failed. Richard Branson is like a cousin to the Patels in the way his mind works. He has a similar approach in a completely different context and industry and continent, and it still works.

Christian Billinger: How do you assess when a business fundamentally goes from being temporarily challenged, to structurally challenged, or in terminal decline? If you look at the big consumer-goods companies or much of retail, that's a pertinent topic currently. How do you assess that?

Pabrai: We have such a large range of options when we're making investments — there are around 50,000 stocks globally — that you should be a harsh grader. Unlike baseball, there are no call strikes in this game. You can let a lot of balls go. We can do very well without buying consumer packaged goods or buying retailers. Capitalism, by definition, is brutal. Most companies in existence today will not exist even a couple of decades from now or maybe even less than that. The demise of virtually every business is guaranteed. Given that backdrop, we as investors should be very harsh graders. If you don't have a crystal ball that tells you a retailer is going to be in great shape 10 or 15 years from now, then unless you're getting it really cheap, and you're only dependent on the next two or three years of cashflow to cover what you're paying, and you have strong conviction on that, you can take a pass. There are entire industries you can take a pass on. It's not a problem. You can build plenty of wealth while just understanding one or two industries. One doesn't need to have a Swiss Army knife approach to investing. If you look at most entrepreneurs, they've created their wealth with an extremely narrow skillset that they've capitalized on. They are basically an inch wide and a mile deep, and that's a perfectly fine way to go. Better to be an inch wide and a mile deep than a mile wide and an inch deep. Specialization has a huge advantage. If you're questioning core structural aspects of industries, you can always take a pass. There's no penalty for that.

MOI: In *The Dhandho Investor*, you talk about this concept of arbitrage, which is slightly different from when we think of M&A arbitrage. What do you mean by arbitrage in the business context?

Pabrai: Virtually all businesses that get started are focusing on what I would call offering gaps. Some entrepreneur sees an unfulfilled need, a lack of some product or service, and therefore starts a business. I give an example in the book of two towns — let's call them Town A and Town B — that are, let's say, 30 miles apart, each with a barber or a group of barbers. A new town — Town C — is coming up between these two towns. Because it's a new town, there are no barbers in that town. Some enterprising barber in Town A or Town B will say, "I'm seeing some clients come in who are driving in from this new township. I think I can do better if I service them locally because there are no barbers there, and maybe I can charge them more because they save on the driving time."

An entrepreneur is going to see that as an offering gap, where Town C should have barbers, but because of the growth, there's a void. It's a bit like what's happening in the fracking areas of the U.S. which are going through turbo growth. A lot of services were just not available because the growth was so aggressive. So the barber sets up a small shop. Maybe he leases some space, buys some secondhand equipment, and is there one or two days a week. Over time, he increases his time in the new place as more business comes in. The downside is limited in that type of approach because the barber hardly put up any capital, and he took advantage of an offering gap. Arbitrage in effect is the way pretty much all successful businesses get started and formed. They're going after offering gaps.

Classic arbitrage is risk free. When we used to have these different prices of gold in different cities — in London it's at \$1,000 and in Dubai it's \$1,020 or something per ounce — you could buy in one place and sell in the other and collect the difference without having anything at risk. That type of approach happens in investing as well. For example, about 14 or 15 years ago, I invested in a Canadian steel company called IPSCO. They had \$15 in cash per share, and they had contracts where the next two years of earnings were going to come in at about \$15 a share for each of the next two years. The stock was trading in the low 40s, and there was no debt. If you took the current cash and added in the next two years of contracted cash flows that had a high probability of coming in, you were basically getting the entire business for free. There was an arbitrage there, if you will.

Because this business was highly cyclical, it was entirely possible that after two years, earnings would be zero or even negative. That is why the market was pricing it at 2x earnings, but I think that was an extreme reaction. I bought the stock in the low 40s, and then it drifted up to the 60s in the next few months. Then the company announced they had one more year of visibility, again at \$15 a share, and the stock went close to \$90 because you now had a little more visibility. Then some Swedish company came and bought it for \$160. In that situation, it was difficult to come up with a scenario where you would lose money. To lose money what would have had to happen after two years is not only would earnings have had to go to zero, but they would have had to go negative, and of course the company had a lot of levers they could pull if that happened. That's an example of arbitrage.

What we are looking for in investing is exactly what the entrepreneur is looking for. The

entrepreneur focuses on risk-free bets or as close to risk free as they can get. That should be our focus as well. Look at opportunities where the downside is muted. In the case of IPSCO, you had contracts. There were these pipelines being built and they needed those steel pipes. The odds that they could just walk away were pretty low. We find those are far more common than you would think.

MOI: I recall from some years ago — and I don't know if this would be another example of what you just described — but back in the former shipping industry crisis, I believe you made an investment where the company was trading for less than the scrap value of the steel, so you had that as the downside protection, and eventually, the cycle might turn.

Pabrai: That was Frontline. I was stupid then because I think I made a 30% or 40% return on Frontline almost risk free. I bought the stock at \$6 or \$7, and I think I sold it for \$10 or \$11 after a few months. It went to \$140, and it gave some pretty significant dividends along the way, and it spun other companies. I don't want to think about how much I left on the table. That was an example where they had the largest fleet of VLCCs (very large crude carriers). They had a lot of debt, but the debt was non-recourse to the company. The debts were tied to the ships. At the holding-company level, they didn't have any issues. Each vessel was its own universe in terms of the debt on that vessel. What happens in the shipping industry is similar to what happens in Class A high-rise office buildings. If you look at downtown New York or Chicago, for example, the economy booms and office space gets tight, so rents go up. A bunch of developers look at that and say, "Wow, I can put up a tower or two and really make a killing." What happens is there's lemming behavior: they all start constructing towers at the same time. These towers take three to five years to get built, so they're all hitting the market at the same time, which of course depresses rents. Then these maverick real estate guys go from being exuberant to being stressed, with banks foreclosing on them. The shipping business is similar in the sense that to build a VLCC is a multiyear process. These Greek ship owners are probably worse than the New York or Chicago developers, where they vacillate far more quickly between fear and greed. The moment they see that all the ships are busy and rates are going up, all of them go crazy and place a bunch of orders for new ships. When these ships get delivered, there's a glut and prices collapse, and then the cycle repeats itself.

Frontline found itself in a situation where there were too many VLCCs relative to the demand, but what the market forgot is that these VLCCs have a scrap value. If you looked at all the ships based on either what they could sell for in terms of distress sales or what they could be scrapped for, and you took out the debt, you were significantly above where the stock was at. At the time I was making the investment for these VLCCs, I think the daily shipping rates were \$10,000. At those rates, those VLCCs cannot make money. They lose money. When you have money-losing operations, the older ships get scrapped, and as the older ships were getting scrapped, capacity kept getting taken out. At the same time, economies grew and the curves crossed. Frontline went to \$140 because that \$10,000-a-day shipping rate went all the way to \$250,000. That wasn't the first and only time that happened. Maybe an increase of 25:1 is extreme, but you do see very wide swings in terms of lows and highs. Of course, when rates are at \$250,000 per ship, markets go crazy, and they assume [high rates] will last forever.

So I got one part of the equation right, which is I couldn't lose money, which was correct, and I made some money. What I did not get right was the more important part, which was to keep at least a part of the investment to see what would happen when the market got tight. It's a lesson learned, and I try to keep that in mind for the future.

MOI: In *The Dhandho Investor*, you have a chapter on the art of selling, called "Abhimanyu's Dilemma." Could you reflect a bit on that and perhaps how you might update it given another dozen years of experience?

Pabrai: Selling is always a lot more complicated than buying. I used the example of Abhimanyu because there's a great Indian epic called the Mahabharat that was written about 2,500 years ago. There are two factions of a large family that are at war with each other. There's a big battle going on with swords and elephants and everything else in between, with thousands of troops and so on. One of the sides arranged their troops in a spiral formation, which is called a Chakravyuha in Hindi or in Sanskrit. That Chakravyuha formation makes it very hard for one's opponent to inflict losses. Lord Krishna's sister was the mother of our hero, Abhimanyu, and when he was in her womb, Lord Krishna was explaining to his sister how one enters a Chakravyuha and how one decimates it. She listened carefully as he was giving the first part of the story, and then she fell asleep in the second part, so her unborn baby only heard half the story. (They assumed about 2,000 years ago that you can talk to unborn kids and they listen to you.) Abhimanyu goes into the Chakravyuha, trying to help out his losing side, and he has great success getting to the center of it and inflicting damage on the enemy, but he doesn't know how to get out. In the end, he's killed.

It's similar to investing in the sense that it's relatively easy for us to buy stocks, but sometimes things start unfolding about a business somewhat differently from what we may have predicted. We may have had certain models in our mind, and then we see reality on the ground is completely different. Then, if you're below your cost basis, the question is do you want to wait until you break even, wait until you make some money, or do you want to cut your losses and run. These become challenging and difficult questions to answer. Selling is always a lot harder than buying. It's more complicated because we don't have crystal balls that tell us what markets are going to do or what individual businesses are going to do. That's why I use that analogy. It's important before we buy a stock to be able to write down maybe in fewer than four or five sentences why we are buying it and under what circumstances and pricing we would be selling it, so that we have that clarity etched in our brains.

Billinger: In terms of what you say about limiting your downside, to what extent does that happen at the company-specific level — for instance, looking at the business model or the balance sheet of the companies you invest in — and to what extent does it happen at the portfolio level — say by some diversification or by looking at the liquidity of the securities you invest in? The Buffett school says you don't want to diversify excessively, but at the same time, there are unknown unknowns, and no matter how much work you do on a company, things can go wrong. How do you balance those two — the company specific and the portfolio level?

Pabrai: That's a great question. My natural tendency is to concentrate. One thing I learned from John Templeton is that even the best investment analysts will be wrong the majority of the time. More than 50% of the time, your decisions are going to be incorrect in terms of what actually happened to the stock versus what you thought would happen. That difference may or may not lead to a loss, but it's certainly a difference on what you may have predicted. Companies are complicated entities. They are in competitive spaces and capitalism is brutal. The future trajectory of businesses you invest in can diverge vastly from what you may have forecast. I don't use leverage at all at the portfolio level. I'm not shorting anything because that is infinite downside. We don't use derivatives in our investment funds. We keep it vanilla so that if a portfolio position has a problem, it cannot cascade because of these issues. Its loss is limited, in the worst case, to the entire position size. If you've got 10 or more positions, and hopefully, you've been careful in your selections, you shouldn't have more than one or two that give you serious problems every two or three years.

MOI: *The Dhandho Investor* has now been out for a dozen years and you've had the chance to learn from successes and mistakes in that time. How would you update the book? Would you add anything to it? Are there nuances that are not in that original version but that would be in another edition?

Pabrai: One of the things I would correct is a mistake in the book in the way the Kelly Formula is applied. The Kelly Formula is actually not very relevant to equity investing or value investing as most of us practice it. The underlying assumption is, for example, if the odds of a head are 51% and the odds of a tail are 49%, if you get to bet only once, it's not very useful to have that kind of edge, but if you get to make that bet 10,000 times and you can always bet on the 51% each time, you'll do very well. The Kelly Formula is useful when you get these serial betting opportunities, which is quite different from the way equity investing works. One of the things I would change in the book is I would completely take out the entire discussion on Kelly because it's not relevant.

The other thing I would do is spend more time on the downside protection and the free lunches. The book does talk about how markets hate uncertainty, and they confuse risk and uncertainty. Frontline, which was the VLCC company, had massive uncertainty, but it had very low risk. When you have the combination of very low risk and very high uncertainty — the same thing in IPSCO, the steel company, which had extremely low risk and extremely high uncertainty — usually that will mean extremely high rewards because markets will significantly misprice those. If you have an edge in terms of understanding those businesses and understanding the dynamics, then it can work out well. I don't know whether I should mention this but I'll go out on a limb: one of the businesses that I think we're almost at the tail end of buying, is a company which in the next five years will generate cash flows equal to or probably higher than its market cap. It's like with IPSCO — they are contracted cash flows. They're locked in. It's not just giving a multiple. You actually have visibility into 2022, 2023-type numbers. The company is probably going to dividend out these cash flows as they come out. If I invested, say, \$50 million in this business, and \$50 million or \$70 million of cash flow will come in in the next five years, and that entire \$50 million or \$70 million gets pushed out, then in five years, I've got my money back. In fact, some of that is starting to

come back a year from now, but I still own the business, and I still own all the assets and plant and equipment and all of that, just like IPSCO. I like those types of bets. I cannot tell you what that business is worth, but I can tell you what the floor is, and we're buying below the floor. That's quite exciting. Anytime we get to make these kinds of bets where we have very low risk with very high uncertainty, then the next part of the equation, which is a likely high reward, is on the cards. I have more experience now than I had when I was doing Frontline, but we'll see how it actually plays out. If it doesn't play out with a bull case, then we won't lose any money. We'll probably make some money. If it works out with a bull case, then we'll make a lot of money.

MOI: Of course, we want to know the name now, Mohnish.

Pabrai: We can't go there right now. But at some point, you guys will figure it out from the filings, and that's okay.

MOI: Absolutely. You did mention Frontline there in this context so —

Pabrai: I think the filing is mid-August for the end of June. By then, I'll be fully loaded, and I really don't care what happens at that point.

MOI: I would be remiss not to mention Dakshana because I've been watching your work with the foundation since you started it, and its impact has been amazing. Since we're talking about The Dhandho Investor, in the not-for-profit space, Dakshana is a great illustration of dhandho, because for the amount of money that's actually gone into it, the impact it's had is amazing.

Pabrai: It's worked out wildly better than I would have ever dared to predict. It's worked for a number of reasons. One is that we copied a model that had already been proven to be successful. Cloning is very powerful. We didn't go into cloning much in this talk, but Dakshana is a good example of cloning. Pabrai Funds is also a good example because we cloned the Buffett partnerships. I have gained a lot of advantage in my life from the mental model of cloning.

The second thing that we did in Dakshana which a lot of non-profits don't do, is around the concept of feedback loops. Let's go back to our barber in Town C. If that barber gives bad haircuts, he's not going to be in business for very long because people will try him once or twice and then if they're unhappy with his service, they'll go back to whoever else they were using even if that means a longer drive. Capitalism has what I would call a natural feedback loop where if you don't deliver value, eventually you're going to go out of business or you won't be profitable. It will show up in the numbers. In the non-profit world, there is no such feedback loop. For example, if I am the Ford Foundation and if I've got let's say a \$10 billion endowment or portfolio, the law requires me to spend 5% a year, which is \$500 million. No matter what happens to that \$500 million in terms of effectiveness, next year, there'll be another \$500 million available, and the year after that, there'll be another \$500 million available because the odds are they can generate more than 5% a year on average in investment returns. If they are generating more than 5% a year and they are spending 5%, they can run for 50 years with terrible outcomes in terms of what is actually helping society.

Unfortunately, that is the norm in the non-profit world. Almost all non-profits operate without feedback loops. One of the reasons they operate without feedback loops is most non-profit activities do not lend themselves to quantification to measure effectiveness.

I did an inversion. Munger says when you see a problem, always invert, and it will get you to a better place, so I inverted the problem. Because it's hard to measure outcomes in the non-profit world, I decided to look only at endeavors where outcome measurement is easy. I inverted the problem and said we'd only look at those things where we get the same feedback loop as in a capitalist society. What Dakshana does is help kids in India get into elite colleges, like IITs (Indian Institutes of Technology) or AIIMS (All India Institute of Medical Sciences). Getting into those schools is tough, and in effect, we get an independent grade on how we are performing based on the number of kids that get accepted. We have no control over that because it's an independent entity. Just like a barber delivering bad haircuts, you're going to see the real picture when you look at their financials.

Because of that feedback loop, Dakshana is able to do two things. One is we are able to measure our effectiveness: we can see what dollars went in, and we can see what the outcome is. The second is we can make changes. When we see that our success rate is low, we can drill down and tweak the model, because we know what the factors are, to get better outcomes. That is extremely important. I get contacted by a lot of non-profits, and when I tell them this, I think they stop listening because they would have to hit the reset button on all they're giving and start over. From their perspective, that's too hard.

I was lucky that I overdosed on Buffett on this subject and I was aware that giving money is a lot more difficult than making it, and giving it away effectively is difficult, so Dakshana created feedback loops, and those have been great.

MOI: I think your approach is being copied now not by not-for-profits but by people like Lambda School and all these startups where essentially, they're investing in talent and then the payoff is coming once this talent has marketable value. Those guys are basically mimicking what you've been doing, but they're doing it in a for-profit way.

Pabrai: We have a guy at Google in Mountain View. His family was earning less than \$40 a month. Many times, all they could afford for dinner was boiled rice and pickles, and often it was just pickles. They had nothing to eat, no dinner. He's now about 26 or so, and I don't know his exact comp, but I think he's north of \$250,000 a year. It costs us \$2,000 to take that family from \$40 a month to something like \$20,000 a month. That's a payoff in, you could say, three days after he starts working for a few years. I'm not even measuring lifetime income. He was just working on a project directly with the CEO of Google — I don't even know where that's going. It's heartening to see that. Nobody else was in this space that Dakshana is in, and still no one else is in this space because humans are bad cloners. We've tried to advertise our model, but no one else wants to enter. That's fine. We get tremendous ROIs on Dakshana with what we're doing, and it's very satisfying.

If you really break it down, I'm just a kid who likes to play math games. I play math games on the investing side, and I'm playing math games on the giving side. All I'm trying to do is make sure that one day, before I die hopefully, everything I made is gone on the other side.

It'll be fun to achieve that. I hope the day I'm gone is very far away, and I hope those numbers are large, but we'll see.

MOI: You've certainly been extremely good at playing math games, both on the investing side as well as the non-profit side, and we look forward to a lot more of it in the coming decades.

About the book:

In a straightforward and accessible manner, *The Dhandho Investor* lays out the powerful framework of value investing. Written with the intelligent individual investor in mind, this comprehensive guide distills the Dhandho capital allocation framework of the business savvy Patels from India and presents how they can be applied successfully to the stock market. The Dhandho method expands on the groundbreaking principles of value investing expounded by Benjamin Graham, Warren Buffett, and Charlie Munger. Readers will be introduced to important value investing concepts such as "Heads, I win! Tails, I don't lose that much!," "Few Bets, Big Bets, Infrequent Bets," Abhimanyu's dilemma, and a detailed treatise on using the Kelly Formula to invest in undervalued stocks. Using a light, entertaining style, Pabrai lays out the Dhandho framework in an easy-to-use format. Any investor who adopts the framework is bound to improve on results and soundly beat the markets and most professionals.

About the author:

Mohnish Pabrai is the Managing Partner of the Junoon Zero Fee Funds and the Dhandho India Zero Fee Funds. Mohnish is the Founder and CEO of Dhandho Holdings, the parent of Dhandho Funds that was formed in 2014 and capitalized with over \$150 million in assets. He is the Founder and Managing Partner of Pabrai Investment Funds, which has grown from \$1 million in assets at inception in 1999 to \$575+ million in 2019. He is the Founder and Chairman of The Dakshana Foundation (www.dakshana.org), which has gotten over 1,146 impoverished, but brilliant students admitted to the IITs.

As a 24-year old, he founded TransTech in 1990 and funded it with \$70,000 in credit card debt and emptying out the \$30,000 in his 401(k) account. TransTech was recognized as an Inc. 500 company in 1996 and had revenues of over \$20 million when it was sold in 2000. He has been an active member of YPO for over 19 years. He loves reading, racquetball, biking on Irvine's bike trails and playing duplicate bridge.