Mohnish Pabrai's Guest Lecture with Microsoft on November 15, 2024

Gokul: Mohnish Pabrai has compounded his million into several hundred. He, along with his friend Guy Spier, successfully bid $650,000 for a charity lunch with Warren Buffett in 2007. Mohnish humbly describes it as an overdue institution fee to his mentor. Mohnish has a long and strong relationship with Charlie Munger, and we have witnessed the bond between these gentlemen flourish over the years. As you will experience shortly, Mohnish is a great teacher of value investment philosophy, and he has authored two books; *Mosaic* and *The Dhandho Investor*, both of which will be dropped in the chat for those who are interested. Mohnish also runs a successful non-profit named Dakshana Foundation. Dakshana sponsors kids from impoverished socioeconomic backgrounds and puts them through a rigorous training program to get into top-tier technical and medical schools by spending about $2,000 per student and taking advantage of the subsidized college tuition from the Indian government at these colleges. The life of the students and their families is transformed, needless to say, the ROI that matches the low-risk high-reward mindset. We also have many Dakshana scholars working here at Microsoft. We would encourage them to come off mute on the camera when the Q&A is live and say hello. With that, I'll pass on the floor to Mohnish. And for the Q&A part, we have curated some questions. We can directly go to the questions and then depending on who raises their hand, we can go back and forth. Rahul and I will moderate the session. Welcome Mohnish.

Mohnish: Thank you so much. It is a pleasure and honor to be with this group. It is wonderful. In my mid-twenties, I started an IT firm in Chicago. A few years after it started, it became a Microsoft solution provider. In 1995, Bill Gates visited Chicago, and they arranged a lunch for him with a few of the solution providers in town. I was one of the yo-yos who joined him for lunch and that was wonderful. We had a great time together and I remember, I had asked Bill at that time about the durability of the Microsoft franchise, and he was very skeptical. He said, "Look, the record of great companies going into oblivion is almost a hundred percent. Microsoft will one day go into oblivion, just like other great ones that have come before them." Bill is mostly right in that assessment, but so far wrong about it with Microsoft. The interesting thing is he sold down his stake over the years quite a bit. He diversified into things that have not done as well as Microsoft would have done, but of course, it diversified his and the foundation's net worth. On the other hand, our man, Mr. Ballmer just all in, and ended up becoming one of the wealthiest guys. It was interesting how one of them who's not the founder was much more bullish for much longer. I look forward to your questions, and what you guys want to talk about, and we will take it from there.

Gokul: Thank you, Mohnish. We will start with the questions. Francisco, go ahead with your first question.

Francisco: Thank you so much for your time. My question is AI in large language models is transforming industries from automation to R&D with significant economic implications. Given your expertise in identifying transformative trends, how do you see the AI and large language model landscape evolving in the coming years? Are there specific areas within AI that you believe hold inuring value and potential as long-term investments?

Mohnish: You are asking the wrong person. This is mostly outside my circle of competence. You are probably better situated to answer the question than I am. From everything I see around me, it is very embryonic at this point, and it has a lot of implications, many of which we do not understand, and many of which are negative. We have to see how it unfolds. So far, I have not seen much change in the way I spend my time or run my affairs. It will probably go through change on that front too. I am generally a person who is more set in my ways than others, probably a negative. We will see how it plays out.

Francisco: Thank you.

Gokul: Thanks, Francisco. Nicole, you can go next. Nicole Dolack.

Nicole: Hi Mohnish. Thanks so much for being here today. We really appreciate it. When I think about your style of investing along with Warren Buffett, it is very aligned with value investing. When we think of value funds, those overweight in financials, utilities, and industrials, they have underperformed growth funds since the 2008 crisis. Growth has led the way for outperformance, particularly in tech. When we think of the S&P 500, over 25% of the weight is in the top five tech companies. We have Nvidia, Apple, Microsoft, Amazon, and Meta. Do you see any upcoming catalyst to flip in favor of value investing and have the dominant growth stocks changed your investment style or perspective?

Mohnish: Well, Nicole, that is a great question. Value and growth are joined at the hip. They are two sides of the same coin. All intelligent investing is value investing, and it does not really matter if a company is going to grow, shrink, or stay the same in the future. All three of those types of businesses can fall into the tent of value investing. All value investing is looking at the sum of future cash flows that a business is likely to deliver from now till judgment day, a discounted to present value by a reasonable interest rate. Then, we compare that to the price that is being offered. At one price, Nvidia could be a value investment, and at another price, it could be a speculative investment. The same applies to Microsoft, Berkshire Hathaway, and a zillion other companies. When Buffett invested in Apple, for example, he was not "buying" something with low growth and value. He looked at the future cash flows versus what he was paying for it, and the equation made sense to him. That is the equation we are focused on. ESOP says, "A bird in hand is worth two in the bush." He says the question to ask is, "How likely are there two birds in the bush and how long is it going to take you to get those two birds when you give the one bird?" That is what investing is all about. I will illustrate the point a little further; the difficulties we run into in value investing. The definition of investing in value investing is painfully simple: The sum of future cash flows discounted back. The difficulty we run into is even in the simplest of businesses, estimating those future cash flows is relatively difficult to do. It becomes more and more difficult the further out in years that I go. Rahul gave a big disclaimer about no insider information to be disclosed, but if I were to ask this audience, a very simple question: Your insiders at Microsoft, just tell me the next 10 years of cash flow. Give me the next 10 years of cash flow with an 80% or higher probability. If you can do that, if you could give me those 10 years in cash flows, the 80% or higher probability, and you guys are insiders. You guys are well-positioned to give me that number. Rahul might break out in hives if you give me that number, but that is okay, we do not care much about that. I could then discount to present value. That would be relatively simple exercise to discount that to present value. However, I suspect that even Satya could not give me that number, or even Bill could not give me that number because they do not know and because it is a range, and that range could be pretty wide. Investing becomes more and more speculative. Away from what we would call intelligent investing, the less convictions and confidence in those future cash flows.

My response to that, and everyone has a different response, someone like Nick Sleep some of you might have heard of, has a very different response to future uncertainties. My response to that is to try to take away those uncertainties as much as I can.

To give you a real-world example, in 2004, I ran into a steel company based in Canada called IPSCO. These guys made tubular steel kind of stuff that goes into pipelines and oil rigs. IPSCO was a stock that was trading at around $40 a share. They had issued guidance, which said that in each of the next two years, their cash flows would be $15 a share. IPSCO had no debt, and they had $15 a share on their balance sheet. In this case, there was very low uncertainty about the next two years of cash flows, because the company is pretty much black and white telling you. They were not coming up with these numbers out of thin air. They had long-term contracts with these pipelines to deliver steel in certain quantities and timeframes to them. These were hard purchase orders with specific timeframes for delivery. It was not them making some sales forecast. The sales were already done; these were in the bag. The certainty around those cash flows was extremely high. The way I looked at it is IPSCO had 15 in cash, and another 30 in cash coming in two years. That is 45 in cash. The stock is at 40. There are billions of dollars plus of value in the plant, equipment, and inventory, which are free, and not accounted for at all. What is the intrinsic value of IPSCO? Well, we do not know because we do not know what year three, year four, year five, etc., are, but my take on that was that it is unlikely that the intrinsic value of IPSCO is below the current stock price. Quite likely, it was significantly above the current stock price just because of the economics of the $45 you were going to get in two years versus the $40 stock price. I put 10% of my fund into IPSCO just with that much certainty that year three cash flows could go to zero, and cash flows could even go negative. It is a steel company. It is cyclical. But, I just wanted to see how Mr. Market prices this thing in two years when there is $45 a share of cash in the balance sheet. One year goes by and IPSCO announces another $15 share in cash flows in year three. Hallelujah! We are in the money now. Now it is $60 coming in. The price of the stock had kind of drifted up and it was now trading at about $90 a share. I had held the stock for 14 or 15 months, and I was thinking, "Mohnish, you do not know what is going to happen in year four."

We have a double in 15 months. This is even better than what Microsoft does. Microsoft does not give me a double in one year. Usually, it does in some years, but not every year. I thought, "Let us ring the register and move on." As I was thinking through those thoughts, I woke up one morning and the stocks were at 155 and some Swedish steel company offered to buy them for 160. Why that steel company did not make that offer a year ago at $60 a share, for example, is beyond me. But, as Mark Twain says, "That truth is stranger than fiction because fiction has to make sense." We had like forex in IPSCO in 15, 16 months and we moved on. I do not particularly try to put a company like IPSCO into a growth bucket, a value bucket, or any bucket. It is just weighing what I am putting out in cash today versus what I am hoping to get in cash in the future. The way I look at it is that I am looking for as much certainty as possible in those cash flows. The more I go into the high-flying tech names, which many of you may have overdosed on, the more difficult it gets for me to estimate those cash flows in the future.

Five and a half years ago, on my second visit to Turkey, I visited a company called Reysas. They are in the warehousing business. They rent warehouses to Amazon, Carrefour, Ikea, Toyota, Mercedes, and so on. They are the largest warehouse operator in Turkey. The market cap on the day I visited them was $16 million. The liquidation value on the day I visited them was more than $600 million. It was trading at 2.5% of liquidation value, a 97.5% discount on what it should be worth. In other words, if it went to its liquidation value, it would be a 40x return. In that case, the future cash flows were relatively easy to assert, because they have 10-year leases, inflation index, etc. It is rental income. You can at least conservatively tell what the rent is going to be. I thought this would trade by appointment and Turkey is a country filled with gamblers who are trading these shares at a very high velocity. Anyway, we spent $8 million, and we got one-third of the company. Yesterday, the company crossed a billion dollars in market value for the first time. The Turkish lira in the last five and a half years has lost around 80% of its value. It was irrelevant because steel, concrete, and land are effectively inflation index, we did not care. Our return in Turkish lira is infinite, but we do not care about that. Our return in dollars is more than acceptable, but the company's liquidation value now is north of 2 billion. We do not care whether Reysas is growth or value, it does happen to be, from the way you guys might think about it, somewhat of a growth company. The very good, very gifted capital allocators are increasing the value of the business; I have not seen them do anything stupid. They have increased the value by two and a half times in the last five years. I consider Reysas like a family business. I am not a founder, I do not have a board seat, I do not tell them what to do. I would not even know what to tell them to do. We just want to be a passive investor in that business. In 5 or 10 years, it might be worth 5 or 10 billion. We just want to sit there and be an owner like Mr. Ballmer and that is it.

Gokul: Thanks. Nick, do you want to go next?

Nick: Hi, Mohnish, this is a "pinch me, I am dreaming" moment. It is a great honor to meet you on the best Teams call I have had at Microsoft so far. Given the size of your portfolio, I would assume that there is a minimum size of a company that you are willing to take a position in just because you have to take a minimum position size. If that is a true statement if you were to start from scratch and be kind of a small-time investor again, would you spend more time hunting for deals in smaller micro-cap companies just because there are more inefficiencies? Then just more generally, you talk about how you love Turkey investing. Are there other asymmetries that small-time investors like us can be utilizing just because larger, more institutional investors just cannot go after or hunt in certain places?

Mohnish: That is a great question, Nick. Actually, Joel Greenblatt observed that if someone was starting with a $100,000 to invest, or a million dollars to invest, or $10,000 to invest, they could look in all kinds of nook and crannies that most other people could not; merger arbitrage, junk bonds, just different places you can go to some crevices that a lot of other people cannot go into simply because you could not put much capital to work. If you started with a million dollars and you were good at what you were doing, you would not be sitting at the million dollars after 5 or 10 years; it might be several million dollars. As you increase the capital under management, your ability to keep focused on those nooks and crannies changes, because you cannot be making $100,000 bets on a 10, $20 million portfolio; you can do it on a $1 million portfolio. Therefore, you would naturally move up. You might start off looking at things where you could put a hundred thousand to work and after a few years, you might be looking at things where you might put a million dollars to work, which means that that hundred thousand space has vacuum now.

Investing has an interesting phenomenon where the lower-end spaces continue to become new tile hunting grounds, for new entrants because the incumbent players have moved on. The successful ones have moved on; the unsuccessful ones we do not care about. It is almost an evergreen business from that point of view. It is also a business where the little guy has an advantage over the big guy. The little guy can go to all kinds of places. When Berkshire and Buffett made their bet on the Japanese conglomerates, the trading company was Mickey Mouse for Warren Buffett. It took him a year to put the money to work and he did it just for the hell of it, but did not move the needle much for Berkshire Hathaway, but for somebody else that could move the needle a lot. They could deliver some spectacular returns on a portfolio, even a sizable portfolio by doing that. The bottom line is that yes, you can absolutely do well by looking at nooks and crannies, and there are always nooks and crannies to look at. I did not have any particular affinity toward Turkey. I just saw that in 2018 it was screening cheap. It was screening super cheap because the currency was on the table and everyone was exiting. I happened to have a friend in Turkey who is kind of a classic Ben Graham-type investor. I told him, "Listen, I would like to visit Turkey and I just want to visit the companies in your portfolio, starting with the one that you have the most money in and going down the list. Do not take me to any business where you do not have money invested." He was very excited to do that, and here we are with 70% of my assets in Turkey, and there was no plan to be there 5 years or 6 years ago. That is the nature of it.

Gokul: Joel, do you want to go with your question, please?

Joel: Hi, Mohnish, thanks for making the time. I kind of have two questions. The first one is, was investment always kind of a passion of yours even at a young age, or was there like a turning point where you decided that this is kind of what I am going to do as a living? My second question is, was there a turning point where you decided to adopt, essentially value investing as your philosophy? I am curious how all that kind of came together.

Mohnish: Those are great questions and no, investing was not something I had an interest in until I was north of around 30 years old. I grew up with an entrepreneurial father who had started many different businesses. I started my own company when I was about 25, and I accidentally read or learned or heard about Warren Buffett just as I was turning 30. One of the big “aha” moments I had when I was reading up on Buffett was that I realized that as an entrepreneur when we start a business, we may spend maybe 2, 3, or 4% of our time figuring out the strategy and direction of the company. What we are going to do and how are we going to get sales and pricing and HR and all these things? Then 95 to 97% of the time is all the blocking and tackling to make it happen, to execute. When I read about Buffett and his approach, I saw a great quote from him. He said, “I am a better investor because I am a businessman and I am a better businessman because I am an investor.” What I realized is that 3 or 4% of the time that entrepreneurs spend in figuring out a direction for their businesses is using the same part of the brain and the same brain cells that an investor will use to figure out which business to invest in. Both those activities actually go and leverage the same part of our brains.

I always enjoyed that 3-4% of direction and strategy a lot more than the blocking and tackling. The blocking and tackling were fine the first or second time I did it, but the strategy direction was always evergreen, I always loved that. I thought, “Well, if I am an investor, I do not need to do the blocking and tackling.” What a utopian existence to only think and try to figure out which businesses have got their strategies right, and then, go into business with them effectively and just be a passive investor and such and compound capital. To me, that was a big takeaway when I heard about Warren Buffett, and I decided I was going to make a change to go in that direction.

One of the important things to keep in mind is that when you encounter a simple idea take that idea very, very seriously. For example, if you look at someone like Sam Walton, who we think of as an icon in retailing, Sam and Walmart never came up with any innovation in retailing for at least the first 25 years of their existence. Every single aspect of Walmart was cloned from somewhere else. It was not some innovation Sam Walton came up with. Sam's Club was cloned from Costco, the Walmart model was cloned from Kmart, and on and on, and he took so many things from so many competitors. If you look at the business of Microsoft, for example, big R&D organization, big research group, most of the success of Microsoft has come from external cloning; Word from Word Perfect and Excel for Lotus, and we know all the browser wars and all of that. If you just go back and even when you look at the current AI push and where the genesis of that push came from, a lot of it has come from outside the company. The company has spent billions internally on incredible brain power and incredible research. But the external stuff that they have just lifted has been far more effective and that is like things. We rise by standing on the shoulders of giants. I am grateful to Mr. Buffett for opening my eyes about that shift. I have never missed in more than 25 years the execution part. I leave the execution part of building businesses to many other great people who can do it far better than me. In the meantime, I can be an armchair investor and life is great.

Joel: Thank you.

Gokul: Raj, you want to go for it?

Raj: Thanks, Mohnish, for a really informative session here. My question is, you have mentioned Mr. Buffett in terms of his investment style, apart from the recent news that he is investing in Domino's Pizza of all companies, previously there was news that Berkshire Hathaway has cash reserves of upwards of 300 billion and I think even after Domino's investment is probably something similar to that. Do you think this is a take on the value maybe not easy to find value in the market, or maybe the market might be overvalued where you have to pick and choose where you put your money? I wonder if it is overvalued and maybe it is due for corrections. How do you look at it? It is hard to time the market, but in general, what does that tell you that he has so much cash reserve?

Mohnish: That is a great question. First, Domino's was probably not Warren Buffett. It was probably one of his two lieutenants. Anything less than a 10 billion, $20 billion investment is not Warren, probably.

Raj: Oh, I see.

Mohnish: I have no inside information, but if I take a guess, it is Todd/Ted. I want to tell you about a visit I made to Microsoft headquarters in early 2000. This was about January 2000. There was a very early employee at Microsoft, Vijay Vashee, some of you may have heard of him. A wonderful guy. Vijay was a very early investor in my fund, and he said, "Look, Mohnish if you are ever in Seattle, I can introduce you to a bunch of current and former Microsoft people who may be interested in investing in your fund." I said, "Vijay, what a coincidence, I am going to be in Seattle in two days." He said, "Oh, that is great." I met Vijay, we went to Microsoft headquarters, and he took me to a bunch of different offices and introduced me to a bunch of people at Microsoft, including Satya. He had a head full of hair at that time. I also met a bunch of wonderful people who some of you guys might know like Soma. I met some great people on that trip. I told the Microsoft people and the ex-Microsoft people I met at that time, "When you are in Microsoft at this time, your livelihood comes from Microsoft. Most of your net worth excluding your residents is in Microsoft stock. It is a terrible investment, and it is going to play out badly for you." They told me, "Mohnish, you are a value guy, you do not understand these things, you do not understand tech, you have no idea about this company. This is one of the best businesses that has ever been put forward on the face of Earth." I said, "Yes, but you are going to have a horrible ride." Of course, they all thought I was stupid, and they did not do anything. If you look at Microsoft stock performance from 2000 to about 2012, it was a terrible ride. At one point you lost like 60, 70%, unrealized loss, hopefully, if they didn't sell, but it would have been a very difficult ride to hold on. It was not because they were wrong about the prospects of the business. They were right. Microsoft was a great company then, and it is a great company today. The S&P 500 is not just me, a lot of people say in the next 10 or 15 years, if you expect that you are going to get more than 3 to 5% a year from the S&P 500, I would like to take the other side of the bet on that with you. The odds that the S&P delivers over 5% return a year for the next 10 or 15 years, is approximately zero. This is why I was asking and saying at the beginning that, the magnificent five or the magnificent seven, tell me those cash flows. Just run and exercise on your own. Look at the value of the businesses. If Nvidia is valued at three or three and a half trillion, the cash flow needs to be in the range of two or three or 400 billion in a relatively short period, because as I go further out in the years then I have to discount it.

When is Nvidia going to deliver a single year 500 billion, 700 billion cash flow? Let us say I have a family fortune of 10 trillion, and I buy the whole of Nvidia three and a half trillion. If I am putting out three and a half trillion, I want 7, or 8 trillion out of it. I want to double my money in a few years. How am I going to get 7, 8 trillion? The only way I get 7, 8 trillion is somehow there is that much in cash flows that come in the next 15, 20 years, and show me where a discounted back, which means the cash flows need to be like 15 trillion or something. To get my 7 trillion.

I need 15 trillion in cash flow. Show me how they are coming and which year, what cash flows are coming. The math on that is hard. To me, it just goes into a too-hard pile. Warren Buffett increasing his cash position, he has publicly stated that he thinks that the corporate tax rates are at a record low rate right now. One of the reasons he has given for reducing the stakes is to realize the gain while tax rates are low. He clearly understands that this 3 to 5% is not lost on him. Between us, it is not going to be 5%, it is going to be less than 3%. Warren kicks himself for not being aggressive enough during the financial crisis. He has also said the fact that we will have a dislocation in the market in the next hundred years is a hundred percent. The odds that we have a significant dislocation in the market in the next 10 years are quite high. Not a hundred percent, but quite high. The one dislocation that is possible for Berkshire to have is when Warren passes away. They stopped buying the stock, and they are not even buying their own stock now, because they think it is too richly priced. It would not be imprudent to read into Buffett's large cash position that the future is not that great for a lot of the highflyers and even other flyers in the S&P. Many of you have a lot of money in Microsoft. The world of the company. It is a fantastic business. If I owned Microsoft today, I would be more bullish on it than I was in 2000. I would not want to sell. I do not like to sell things that are great, which is what I was asking people in 2000, but in 2000 there was just egregious. It was just 10 billion or less in cash flows on a 600, 700 billion market cap. It was a trailing PE of 70 or something. Satya is fantastic, and the team is fantastic, but I would say that probably having at least half your asset outside Microsoft is not the worst thing in the world you could do.

Gokul: Ananda, please go for it.

Ananda: Hello, Mohnish. I am very honored to be interacting with you. Thanks for all the education and wisdom you share. I follow your content online. I am going to set up the context for my question and then I will ask my question. In value investing, as you go through the rabbit hole like you described, and peel the layers, the why, why, and why, eventually you get to a state of why money, what is life, you get more philosophical. My question is more philosophical than investing. You and your mentors, both Buffett and Munger have quite a bit of mental models. One such mental model is the moat of a business. How do we think about business protecting itself? My question is what are the personal moats that one needs to develop? Do you have a mental model for that? The context is, that in the tech industry and life in general, you have various curve balls thrown at you, but is there a mental model that you or your mentors follow? I see you guys as very happy guys and very calm and collected. What kind of mental models are there that one can follow to develop a personal moat? That is my question.

Mohnish: That is a fantastic question. If you have not read *Poor Charlie's Almanac*, I would say that is a great book to read. I try to reread it every year. There is a new edition that just came out and the last speech in that book is *The Psychology of Human Misjudgment,* which is a long speech. That talk is better than a four-year college degree. You will learn more and it teaches you about human nature and all that. Munger always said that it should be our duty to go to bed, slightly wiser than when we woke up. He also said that he did not know any wise people, zero, who did not read all the time. I would encourage reading. Reading is a great way to broaden your horizons. Now we have podcasts that make it even faster and easier for us to ingest knowledge. The most important thing is to figure out what you are passionate about. It is not an easy question, but once you know what you are passionate about, you go all in on that, you try to learn it and become good at it. It is difficult to be great at something if you are not passionate about it. There is a free version of *Poor Charlie's Almanac*, which is the digital version. They specifically made it free for the digital version. Not that you guys have any affordability issues, but the best things in life are free. Figure out what you are truly passionate about. It may or may not have anything to do with what you do for a living, but you should be driving everything toward that passion. You should try to figure things out and become better. Kind of like your boss Bill Gates did, or Satya did. They just went all in at the age of 10 or 11 or whatever. Of course, Satya was all in on cricket, but then he kind of switched things a little bit later. That is what I would say. That is how you build a moat. All of us are different. We have different likes and different things that we are passionate about. Find your passion, go all in on it, and try to become wiser every day. Charlie said, "If you follow this formula, you are going to wake up after 20 years and you are going to look to your right and look to your left and all your peers are so far behind you, you cannot even see them. You have left them in the dust. Steady daily progress gets you to amazing places.

Gokul: Abhishek, do you want to go for it?

Abhishek: Hello Mohnish, I am Abhishek. I am a Dakshana scholar. I met you in Kottayam in 2015, December. Thanks for Dakshana, I am currently working at Microsoft, living in Redmond. My question is not about investing. I wanted to ask you more about philanthropy. What made you start the Dakshana Foundation? I heard multiple stories, and they all are different. I wanted to hear from you, what made you go into philanthropy? Why did you start the Dakshana Foundation?

Mohnish: Well, Abhishek great to have a chance to talk to you. I always like to interact with alums and this year when I was at the Berkshire meeting, a Dakshana alum came up to me in Omaha and I never expected those two worlds to collide. It was just great to see that collision of Omaha with a Dakshana scholar who was there. That was wonderful. I like to play games. I like to play mathematical games. If you get to the essence of who I am, I am a game player. Some psychologists who got into my head tried to figure out who I was, they fine-tuned it a little bit more for me. They said, "Mohnish, it is not that you just like to play games or like play mathematical games, you like to play games that you have some edge that you can win. You are a single-player game player." I am not a guy who will enjoy being on a soccer team. That is not Mohnish. Soccer is a great game, but it is not my game. It needs to be a single-player game for me. That is the weird way I am wired.

I am playing two games, and I am so sorry to break it to you, Abhishek, that you were a part of that game without knowing about it. But now we are going to spill the beans and let you know about what is going on in life here. I find it fun to play two games. The first game is the game of compounding. The game of compounding that I learned from Mr. Buffett was that if you start with a million dollars, and if you are able to compound at a high rate, let us say something like 25, 26% a year, the money doubles every three years. In 30 years, it becomes a billion dollars, which is a stunning number from a million to a billion. I started playing a game of compounding exactly 30 years ago and it worked spectacularly well, it is amazing. Now, the thing is that spending money does not directly correlate to happiness. It may, and it will probably give you some happiness up to a certain point. Many things that give you happiness have nothing to do with money, but certainly, beyond a certain point, money cannot make you happier. The second game I wanted to play was because I knew that it was all useless. We have a guy who has a billion dollars and a guy who has 50 million. You cannot say B or A is happier than the other. The correlations go away. The second game I wanted to play, which is taking it from Chuck Feeney and Buffett, is one day before I die, I want to be left with 10,000 bucks. I want to play this compounding game full on, pedal to the metal, like find the next Razors, blast out a hundred Xs, and do all of that. But on the other hand, blast the money out. One of the things is that one day before I die, I have to be at 10,000. Very important in this game is to know exactly when I am going to die so that I can plan backward and my day as much as I can. I just need this much of my body to function, the rest of it is irrelevant. Just this much needs to function. Hopefully this much will keep functioning with full cognition. We are going to try to compound the hell out of the money. We are going to try to give the money away, and we are going to try to get to the 10,000. Just two games are going on, and it is just a math game. People say, "Oh, Dakshana is this, and Dakshana is that." Dakshana is, please understand, just a star, star, star math game. That is all it is, so sorry to disappoint you.

Abhishek: Oh, no, good. Thank you.

Gokul: Samir, do you want to go for it?

Samir: Hi Mohnish, I have been following you ever since you bought that bet to have dinner with Buffett, and I learned a lot from you. My question to you is, you said you need to have a passion, and that money does not bring happiness beyond a certain point. But let us say once somebody's closer to that, and you took some risks, you earn some big money for your retirement, but the good thing about engineering is you envision something and then you can feel there is always something new happening now. Whereas investing is all about numbers on the spreadsheet. What keeps you going? Now maybe you have so much money. You are adding more, but it is all paper money on Excel. What keeps you in this field when you accumulate so much wealth already?

Mohnish: That is a great question, Samir. Warren Buffett and Bill Gates are very good friends. They have been very good friends for a long time. Bill Gates' mother introduced the two of them. I do not know if you are familiar with the story, but there was a gathering that Gates' mom had put together, which was an hour-long helicopter ride from Seattle. She told Bill, "I want you to come for this gathering." This was the early nineties or something, and Bill was very busy banging on Microsoft. He was not even taking any vacations and all that. He has no interest in going to the stupid gathering of people. She told him Warren Buffett was coming, and he said, "Yeah, I do not have time." He was not interested in even meeting Buffett because of exactly what you described, some guy who just pokes around in numbers. She told him that Catherine Graham was coming, who was the CEO of the Washington Post, but he was not interested. So finally, the mom used her veto power. She said, "Bill, you are going to come here. Period. You do not have a choice on the matter. I am ordering you to come here." He takes the helicopter very reluctantly from Microsoft, goes to this place in the middle of nowhere in the state of Washington, and wants to be there for 45 minutes to satisfy the mom, and then the helicopter back. He starts talking to Warren Buffett, and 10 hours later they are still talking. He realized that this is not a guy about numbers. Warren asked him questions about IBM and Microsoft. All his life, Bill had waited for somebody to ask him those questions. Nobody ever asked him those questions. What I find is that for me particularly, and for each person it is different. It is not so much the numbers and things. I am very excited about the study of businesses. It is almost an infinite pursuit. Trying to figure out how things work, why they work a certain way, and why they go and different entrepreneurs who build different businesses. I would rather do that and figure those things out than put my energies into building a business or on some engineering problem and I used to spend my time on engineering problems. Each one of us is different. What Bill found with Warren was that he was kind of at the top of his art, top of the way he was doing things. He had an understanding. He never invested in Microsoft, but he understood IBM and an understanding of Microsoft, which went well beyond people who had spent their entire lives in technology. That is what drew him in. That is the way it is. Passions are different for different people and if it is an engineering problem that excites you, then that is where you should spend your time.

Gokul: Archana, do you want to go for your question?

Archana: Hey, Mohnish. Thank you so much for coming. I do not know if you recognize the face, but I was a Dakshana scholar between 13 to 15 in Bangalore Urban.

Mohnish: I recognize the face.

Archana: Thank you so much. It is good to know that it is a game for you and this game is uplifting so many lives, changing so many lives, and influencing so many people. So, keep playing the game.

Mohnish: I'll do that.

Archana: My question to you is what were some basic principles or foundations that you keep recalling from your childhood or from your upbringing or the lessons that you learned from your entrepreneur father that keep you going and make you a successful investor?

Mohnish: The interesting thing is that some very basic principles in life will take you far. The important thing is to go all in on these principles. You cannot be kind of halfway about it. For example, it is a huge advantage in life to be trusted. If people can trust you, the world does not run on contracts, it runs on trust. How do you get trust? Well, the only way you can get trust is by demonstrating exemplary behavior. Not by telling people, "Hey, listen, I am a good guy, please trust me." It is a track record. The entire history of how you conduct your affairs over time is going to accumulate and give you the degree of trust that people are willing to put in you.

Trust is an important thing. Munger talks about reliability and being reliable. Like he says, McDonald's does better in the world than Harvard Business School, because McDonald's teaches very young people the importance of being reliable. You have to show up at work and on time. When a 16 or 17-year-old has that inculcated into them, it is a big advantage in life. It is these basic principles; reliability, trust, and being hardworking. One of the things I learned from Charlie is, that whenever he has an appointment to meet someone, he is always early. He makes a point to always be early. If I am going to meet somebody at a coffee shop at 11:30 in the morning, I will be there at 11:15. I will plan it so that I am there 15 minutes earlier. Before I heard this from Charlie, I would plan to be there at 11:29, but I do it a little bit differently now. I thought, "Okay, this is a good idea. I can easily adopt this idea." It is a good thing because it is unlikely that you are going to be late, and that is a good advantage. These basic principles, honesty, truthfulness, reliability, and hard work will carry you a long way.

I remember when I visited Microsoft in 2000, I met Somasegar. When I visited in 2000, I estimated Soma was incredibly wealthy at that point. It would have been worth tens of billions of dollars, if not more. I noticed Soma's shoes when I visited, and the heels of his shoes were very unevenly worn out. He should have stopped wearing those shoes years ago. They should have been discarded. It probably never occurred to a guy like Soma that his shoes were so pathetic and he should give these up. If you saw Soma walking on the street, you would walk past him and not look at him twice. You might even think this guy needs some financial help. I remember when I was talking to Soma, I said, "Soma, you rose all the way to the top." (I did not tell him that you rose all the way to the top of

Microsoft, probably not because of your shoes. Whoever promoted you did not look at your shoes. I am looking at your shoes). I said, "What got you to the top of Microsoft?" His answer to me was, "If I am a janitor, and I have been given the job to clean a particular bathroom at the airport, that is my task, keep a bathroom at the airport clean. I will make sure it is the cleanest bathroom at the airport. I will make sure it is the best possible bathroom it can be. Anytime I am given any job, it does not matter whether I like that job, or I do not like that job or whatever, I am going to go all in and do the best job I can." Anyone who has that principle is going to go straight to the top. What a great principle. That is what life is, these are very basic principles, you follow them, and you are all set.

Archana: Great. Thank you so much. You put it in such simple terms, but I am sure it is not so easy.

Mohnish: Thank you.

Rahul: Mr. Pabrai, on behalf of all of us here, I would like to extend our deepest gratitude for joining us today. Your stories, strategies, and reflections have not only deepened our understanding of value investing but also have inspired us to think differently, and more critically about the decisions we make in our lives and investing. Thank you again for making the event so meaningful and for leaving us with so much to reflect upon and act upon. We hope to welcome you back in the future and wish you continued success. Thank you very much.

Mohnish: Thank you. I had a great time and thanks so much for having me. It was wonderful to have some of the alums of Dakshana on this call as well. Thank you.