Mohnish Pabrai's Session with Legends at Heilbrunn Center for Graham and Dodd Investing on April 21, 2026

The contents of this transcript are for educational and entertainment purposes only, and do not purport to be, and are not intended to be financial, legal, accounting, tax, or investment advice. Investments or strategies that are discussed may not be suitable for you, do not take into account your particular investment objectives, financial situation, or needs, and are not intended to provide investment advice or recommendations appropriate for you. Before making any investment or trade, consider whether it suits you and seek advice from your financial or investment adviser.

Prof. Santos: Our guest speaker today is Mohnish Pabrai. We are thankful that you are here, Mohnish, as always. Mohnish is the founder and CEO of Pabrai Investment Funds, which he founded in 1999, right before the bursting of the tech bubble. As I told you in the email that I sent you this morning, Mohnish has one of those records that is the stuff of legends over the last 25 years. I do not remember the exact statistics, but had you given him a dollar in 1999, it would have been $14, $15 today, compared to $7 in the S&P 500. It is a remarkable record of excellent performance. He came here to study engineering, and he ran an IT consulting business for a while before he founded Pabrai Investment Funds. He has seen things from both sides. He talks about this in the podcast; he likes investors who have the experience of running something themselves and who can invest themselves. They see things from both sides. The interview with Mohnish in the podcast is fantastic. Please join me in welcoming Mohnish Pabrai.

Mohnish: It is always wonderful to be here. We are on hallowed ground with Ben Graham. I am going to be asking you as part of these models to underdose a bit on Ben Graham, but we will get to that in a minute. It is always wonderful to be here. This particular presentation I am giving today, I have not given before, so I do not know how long it will take. I am going to try to move it along as fast as I can, and hopefully, we will have time to talk about what you have on your mind.

Charlie Munger gave a speech at Harvard a few decades back: *Psychology of Human Misjudgment*. All of you have probably read it and probably read the expanded version in *Poor Charlie's Almanack*. He gave the original talk, and then he revised it for *Poor Charlie's Almanack*. It took me multiple decades to understand that talk. I try to reread it every year. Even when I reread it now, every year I pick up things that I swear I have not seen before. It keeps bringing up things. But I finally figured out what Charlie was trying to say. I wanted to give you my take on it. Mental models can be used in different ways. They can be used as you go through life. They can be used for starting a business, running a business, allocating capital, having a great marriage, and a lot of different uses. But the core model is the same, which is that our human brains are a combination of modern and ancient, and they are a mishmash of different things that came together. We do not naturally see reality the way it is. We see a distorted reality because of the evolution of our brains. Sometimes you will run into some things that are true and which are the way the world works, but which are not the way you thought it works. When those things happen, and you have these “aha” moments, those are mental models that can give you an edge versus other humans. Because other humans see life the way you used to see it, but you start seeing it in a little different light. What Charlie said is that as you start overlaying these models on top of each other, that is when you get what he calls “lollapalooza effect.” One plus one becomes 11, and one plus one plus one plus one becomes over 1,000, and so on.

The bedrock model is to “take a simple idea and to take it seriously.” You cannot have any other model if you do not have this one. “Seriously” is the most important word there. I am going to talk to you about 30 models today, if we get through them. When we encounter these models, many of you will be skeptical about them, whether they are true and real or not. You cannot get the benefit of the model unless you go all in, cult-like, full immersion. Not even one hundredth of 1% doubt about the model. If you have skepticism about it, you are better off not even touching it, because then it will not work. You either go all in, or you just live life the way you have been living it. But you cannot go halfway with these. You have to believe or not believe.

We are going to start blasting through it as fast as we can because we do not have that much time.

The gateway drug for all of us in value investing, unfortunately, is Ben Graham. He had 3 amazing ideas: “Mr. Market is there to serve you, not to advise you,” “Margin of safety,” and “Buy stocks as if you are buying the whole business.” Charlie said that because Graham's entire experience got seared by the crash and the subsequent Great Depression, 25% unemployment, which we have not seen in almost a century, including the pandemic and the financial crisis, all of those things never went to the point that things went in the 1930s.

Ben Graham came up with a bulletproof model when things go to hell. If you follow that model, you cannot get hurt. I have followed that model most of my life, and Warren Buffett followed that model most of his life. But when you follow that model too rigorously, it hurts you. Instead of taking 2 tablets a day of Ben Graham, you take half a tablet once a week, and that is enough, which is those 3 things. Everything else, like security analysis and everything he mentions in *The Intelligent Investor*, for the most part, we do not need. In fact, you are better off if you do not know it. That is the first big pill you have to swallow.

So, we are not going to overdose on Ben Graham. What we are going to overdose on is these three: *Poor Charlie's Almanack*, Phil Fisher, and Pulak Prasad. I am imagining that, given that you are in the program, you are acquainted with them. You already know what to follow and what not to follow.

Model 4, you are also aware of the 20-punch card, which is, assume that in your whole life, you are only allowed to buy 20 stocks. Every time you buy a stock, you punch the card. After the 20th punch, you cannot buy any more stocks. If that rule were ironclad and you were required to follow it, you would become extremely careful about what you invest. This is a good mental model to have about the fact that great ideas are rare. I am going to violate this model in some subsequent models coming up, but do not focus on that. It is okay. You will figure out there is a violation, but we will not worry about that till we are later.

We get to the circle of competence, which obviously we care about a lot. The size of the circle is irrelevant. People want to know all kinds of things: everything about everything. That is a bad idea. Stick to what you understand well and stick to being in the epicenter of that. The size of the circle is not relevant. Being in its center is what is relevant. You may not recognize some of the people in this picture. On the left is Marc Andreessen. In the middle is his wife. On the right is his wife's father, John Arrillaga, a multi-billionaire who passed away a few years back. His daughter is a billionaire to the power of billionaire now, because she was a billionaire, and then she married a billionaire on top of that. She is doing fine. John Arrillaga only invested in real estate within 1 mile of the Stanford campus. In his whole life, that is all he invested in. He became a billionaire doing only that. His circle of competence was not real estate. It was not California real estate, Northern California real estate, or even Bay Area real estate. It was real estate in a tight radius around Stanford. If you walked with him around Stanford, he could tell you the full history of the rents of every building for the last 50 years. He could tell you what you could buy it for. He could tell you all the transactions that took place. He knows everything about everything in that radius. He stayed under-levered. When the crisis hit, he went in and bought all the marquee stuff he wanted to buy in that area, and then lay back, relaxed, and waited for the next cycle. He became a billionaire doing that. We do not need to know a lot about a lot of things. We need to be an inch wide and a mile deep. That is what we want to do.

Model 6 should be that an extremely high error rate is guaranteed, not just that a higher error rate. John Templeton said the best investment analyst will be wrong at least one-third of the time. Half the time, you could be wrong. Two-thirds of the time, you could be wrong. You could be even wrong 80% of the time and still be doing extremely well.

Four percent of public companies in the US in the last 90 years have delivered all stock market returns. The other 96% kind of treaded water. Do you know the term “circle the wagons” that comes from the 19th century? When the pioneers were moving west, and these wagon trails were moving west trying to capture the frontier, they would get attacked by the Native Americans or bandits. The best defense was to circle the wagons, shoot at whatever was coming at you, and put your crown jewels at the epicenter of the circle. That is the model I am trying to get across here, which is when we find ourselves in the great situation of owning a great business, do not sell it. Do not sell it when it becomes fairly priced. Do not sell it when it becomes overpriced. Only sell it when it gets absolutely egregiously overpriced. We cannot justify the valuations anymore. It has to be extreme. We want to hang on to the great businesses forever.

We saw the 4% rule with the stock market. Buffett said this 2, 3 years ago, where he mentioned that in 58 years of running Berkshire (now it has been 60 years), 12 ideas created Berkshire Hathaway. He did not say which 12 ideas. I took a stab at which 12 ideas, and they may or may not be the exact 12. But probably 80-90% is correct. Even for Warren Buffett, it was a 4% hit rate. God is at 4%, we, mere humans, are not going to be at 4%. In the case of Berkshire, See's Candies was not a publicly traded company. He did not trade it; he kept it throughout. But if you look at his portfolio, the longest period any stock has been held that he is holding today is Coca-Cola. It was bought in 1988, so it has been held for 38 years. Warren Buffett is going to be 96 this year, which means that his buy-and-hold journey, as far as common stocks go, started when he was past his mid-50s. I am trying to get it started for you in your 20s, so we get a little head start on that. But again, because of the overdose on the gateway drug, and then he had Charlie Munger, he was able to ride the ship.

I have so many examples in my portfolio of these great businesses that got sold because even 5 years ago, I did not understand. If I had known these models when I was your age, it would have been a huge advantage. My fund used to own almost 1% of Ferrari, bought at almost nothing. The effective market cap I paid for Ferrari at that time would have been less than a billion dollars. I paid like $10 million for 1% of Ferrari. You can look up what that is now. Progressive Insurance, I invested in it 25 years ago, and should have left it alone. During the financial crisis, Buffett bought Goldman Sachs at $130, and I bought it at $65. I bought it half the price he bought it at, and then of course, I sold it and made some good money. But I should never have sold it. Never sell the great high-quality businesses.

Do not cut the flowers and water the weeds. Here is the litmus test, which I use: If I want to know how good a portfolio manager is and has been running for a few decades, I look at one simple thing in their portfolio. What is the total size of the top 2 or 3 positions? If the top 2 or 3 positions are not at 70%, they violate the model. I cannot even find these people that I am looking for. Why do we have this model? Because you are going to find a great business only a few times. Let me tell you about the Nifty 50, which was a concept in 1969-1970. The idea was to buy these 50 businesses and do nothing with them. Do not worry about the market caps or multiples. The Nifty 50 was popular in the late 60s and early 70s. Then, in the 73-74 crash, it got taken out back and shot. By 76-77, no one was talking about the Nifty 50. Everyone has sold everything, moved on, and does not want to touch equities.

There is controversy over whether Walmart is part of the Nifty 50 or not. It went public in 1970. To prove my point, let us say Walmart is part of the Nifty 50, and it has a 2% weight (everything is 2% in the Nifty 50 when you start). Let us assume the other 98%, which is like Coke, McDonald's, Kodak, Xerox, Procter & Gamble, and so on, all of that goes to zero. You take a portfolio in 1970, which is 2% Walmart, the other 98% go to zero, 98% error rate, and you run it till today; you blow out the S&P by a pretty significant margin. Two cents of the dollar left 98% zero still blew out the S&P. The reason is that the flower was not cut. That is why the top 2 positions need to be 70, 80%. Sometimes I read interviews with smart, accomplished managers with good records, and I see they own Constellation Software, a Canadian company. They have owned it almost since the time it was public. It has been, until recently, 35% annualized compounding for around 15 years. Whatever size it was when it started, if you did not touch it, it is going to be a big portion of the portfolio because it is compounding at a much higher rate. But then the manager says nothing can be over 10%. They do not know model 8. I hope you overdose on model 8.

"Be a shameless cloner." We do not need to come up with ideas of our own. I recently looked at my entire portfolio. There is not one single idea in that portfolio that I came up with; not even one. I said, "Well done, Mohnish. Continue to be shameless." We have the Value Investors Club, which was set up by Greenblatt. Long live Mr. Greenblatt. If we were limited to only buying companies that are written up in VIC, and nothing else, you would do extremely well. You do not even need anything else. Even if you were limited to A through H in VIC, not even the rest of the alphabet, you would still do well. You do not even need a whole Value Investors Club. You have Dataroma, which comes out every quarter. It tells you what everyone has bought and sold, all the luminaries.

This picture is of Gimat Gross; it is Turkey's Costco. Remember this. It is 2026. You heard the term Gimat Gross here in this class.

"History does not repeat itself, but it does rhyme." No one is interested in the Turkish market. 70% of my portfolio is in Turkey in 3 stocks. I am disappointed it is not 2 stocks. It needs to be 2 stocks. I told you 70% in 2 stocks, but we will get there. When I grow up, we will get there. The US markets were orgasmic from 75 to 85; amazing valuations. Coke at 7 times PE and that sort of thing. I started making trips to Turkey in 2018. In 2019, I told my friend that I wanted to look at what he had invested in, at his portfolio. I told him not to take me to any companies that he has not invested in. He used to send me names of all the companies we were going to visit. They are all Greek and Latin to me. I never heard of these companies. I know nothing about them, and I am too lazy to do any work on them. You guys are hardworking. I am lazy. I decided I am not going to do any work on these companies till after I have met them. But so I do not appear like a total idiot when I go into the meetings, as we are driving to the companies, I start asking my friend a few questions. What do they do? What is the market cap? Why are we going there? Why did you invest? A few things so that when we end the meeting, they do not think I am a total idiot. In 2019, we were driving to a company, and my friend told me the market cap is $15 million and the liquidation value is $800 million. I asked if it was a fraud. He said "no" and that he invested in it. It is a simple business. They rent warehouses to

Amazon, IKEA, Carrefour, Toyota, Mercedes, and it is 99% lease, inflation-index leases. He said, " You can go to any commercial realtor in Istanbul, show them the portfolio, and they are going to tell you it is worth $1 billion. There is $200 million of debt. I said, “Why is it at a $15 million market cap?” He said, “It is Turkey. Everything is cheap.” I went and met them. The father and son who own it look great to me. I do not see any problems with them. They are fantastic people. I look at the portfolio, and it looks good. Then I thought, “How much stock can I get?”

I manage $1.3 billion now, but I said, “What can I invest here?” For $8 million, I got one-third of the company. Then I kept buying, so now we have over 40%. The market cap is around $1.5 billion now, with a liquidation value of $2.5 billion. What I did not realize was that I thought I was buying a cigar butt; overdose on Graham and all of that. My middle name is Forrest Gump. Mohnish Forrest Gump Pabrai.

I did this presentation to educate myself. Not to educate you, but to educate myself. You are a side effect of the presentation. No need to do anything, just sit on it forever. Buffett found 12 things in 60 years, and he is “Warren Buffett.”

Like Charlie Munger says, “You are going to get few trips to the pie counter in your life. When you get to the pie counter, load up on a lot of pie. Because if you get 3 or 4 trips in a lifetime, that is it.” When you get to a pie counter, do not be shy. Heavily overdose on pie.

Model 11: “If you cannot explain your investment thesis to a 10-year-old in 3 or 4 sentences, please do not invest.”

This one might need a little bit of explanation. My dad was a rational guy, an engineer, and not religious. He went bankrupt several times in his life, and he was a quintessential entrepreneur. He had come up with some great business ideas. His ideas were good. They would get going, and he was always aggressive with leverage. He was trying to run every business as well as he could, as fast as he could. The first storms that came would blow the business away. Because my parents were poor savers, whatever was happening with the business was happening with the family and us. There would be no money for rent or groceries. They are borrowing money from relatives and friends. It was tough. When I was 11 or 12 years old, my father had just gone bankrupt for the ninth time. I noticed that on Sundays, there was an astrologer who kept coming to our place. He was wearing orange robes with marks on his head. My father would sit with him, and he would tell my dad what was going to happen in the future. I was a meek little kid, but I mustered up some courage and went to my dad and said, “You have to know that whatever he is telling you is total nonsense. We have little money. Some of it is going to this guy, and that is not good.” My dad said to me, “I am at the bottom of a deep well, and I need a rope to get out of that well. When this weirdo comes over, he knows that to come back the next week and the week after, he has to lay out a beautiful future. He tells me about this beautiful path that is coming in the future, of all these successes that are coming. That is my rope. I need the rope to get out of the well." The reality distortion field, as Mr. Steve Jobs calls it. This was my dad's reality distortion field, and I saw it worked.

We hit the financial crisis, and my portfolio was down 67%. It used to be $600 million, and it is $200 million without redemptions, going straight down. I am at the bottom of a well, and I said, "How do I get out of this well?" I remembered my dad. I said, "Oh, we need a rope. Let us go find a rope." Even though it is going to come up later, it is a violation of the model. The rope was Excel. I have to admit. I turned on Excel. What I did was take my portfolio and put valuations of what I thought these companies were worth. It was much more than $200 million or $600 million. It was a big number. I meditated on that number. Life was beautiful. To me, that is what the portfolio was worth, and that was the rope. You will find yourself, for various reasons– portfolio, life, business, whatever, health– at the bottom of some deep wells many times. Find a rope, then everything is okay.

We have my friend Nick Sleep. Nick came to Columbia. Did you guys hear him? All his letters have been converted into a book. They are coming out later this year, which would be nice. Do you know his story? Nick is running $2.5 billion, and the UK regulator is saying, "You are non-diversified." Clearly, the UK regulator has not seen my presentation. "You are not diversified, blah blah blah, you cannot do this, you cannot have so much in Amazon, this and that." He and his partner, Zach, I am guessing, had $400 or $500 million by then of their own, which they never expected to have. They looked at each other and said, "We do not need this. If we return everyone's money, no one is going to tell us how concentrated we are." They stunned their partners and said, "We are returning your capital." Then Nick said, "I know you guys are disappointed, but please put the money in 3 stocks. Put 1/3 in Amazon, 1/3 in Berkshire, and 1/3 in Costco. That is what I am doing." That was in 2013-2014. I said, "If you do this, you do not owe us any fees. Keep these 3 stocks forever." If you did that in 2014, you blew out every fund manager who has come here to talk to you. Nick had the absolute right idea. There is a book titled *Zen and the Art of Motorcycle Maintenance*. How many of you read the book? I had such a hard time with it.

Audience: Yeah, my grandfather gave it to me when I was younger.

Mohnish: But did you make it to the end? What about the ghost? The ghost shows up in the book frequently. Did the ghost throw you off?

Audience: Yes

Mohnish: Do not worry about how hard it is. The Value Program is hard. Go through the book. It is not going to make any sense to you, but do not give up. Go through it again and again, and then finally you will realize that you need to pursue quality intensely. All these 3 companies that Nick invested in are extremely high-quality businesses. How can you get higher quality than Berkshire and

Costco? Amazon is right there as well. Amazon goes wild and crazy after 2014. Berkshire and Costco are still good, but they cannot keep up with a digital business like that. It becomes 80% of the portfolio: 80-10-10 or something like that. There is a fourth business that he likes, ASOS. I told Nick that it was useless, and was surprised how he could put ASOS in the same class. He takes half of Amazon, sells it, and puts the money into ASOS. The thing is that when you have the 3 stocks, and one is 80%, you already have escape velocity. You guys understand escape velocity even though you are not physicists. He is never going to go to a soup kitchen. He is past all that. When you start with $200 million, and it is cranking like crazy and has become $800 or $900 million, and $80 million is in Berkshire, you do not need to worry about diversification or anything. Just let it ride.

But even though he had a violation of the model, even with the ASOS bet, he still blows out everyone. When you find a great business that meets the *Zen and the Art of Motorcycle Maintenance* standard, keep it.

Then we get to the violation, “Thou shalt not use Excel.” I only used it for Deep Rope; I have no use for Excel. Columbia makes you overdose on Excel, unfortunately. Do not do it. When you leave here in 2 weeks, delete Excel. We do not need Excel. If you cannot do the math in your head quickly, it is a pass. Why do we need Excel?

Use a pre-investment checklist. I have 213 questions on my checklist. It is all based on previous mistakes great investors have made. That saves me a lot of trouble. I look at questions like: Why did Buffett buy Dexter Shoes? Why did he lose money on that? Use a checklist. I made different questions and then categorized them because they were in particular categories. The biggest, number one reason why investments did not work was leverage. The second reason was some misunderstanding of the moat. The third reason was some kind of an issue with leadership and ownership. Those are the big ones that cause issues. There might be unions and things that might have caused problems in some businesses, but these are the 3 big ones. Do not buy levered businesses, and try to make sure you have understood the business well.

The Indians in the room understand this image. For the non-Indians, we can try to explain the picture. In India, the kings sent their princes to the forest to be trained under a guru in various things, like warfare and other things. There was a guy named Arjuna who became the greatest archer in the world; he was phenomenal. The guru was conducting a test of all his students. He said, “There is a bird in the tree. I want you to shoot the eye of the bird out with your bow and arrow.” The first student came up, and when he was about to shoot, the guru asked him, “What do you see?” He said, “I see the tree, I see the bird, I see the eye.” The guru then said, “You are not ready, sit down.” The second guy gets ready to shoot and gets asked the same question. He gives the same answer. The guru tells him not to shoot and to sit down.

This keeps going till he gets to our hero, Arjuna. He asks Arjuna, "What do you see?" Arjuna says, "I can only see the center of the center of the eye of the bird." The guru then says, "Fire at will," and he takes the eye out. When we find things that we are interested in, we need to go all in. We need to be like Arjuna and only see the center of the center.

On the left-hand side is a horse with the unfortunate name "Read the Footnotes." That is the name of the horse. You know who owns it? You should know who owns it. Seth Klarman. He grew up near Baltimore. That is the Pimlico Race Course. All the names of his horses come straight from Ben Graham. I feel sorry for the horses. I also feel sorry for the announcer. "Read the Footnotes by a nose. Read the Footnotes. Read the Footnotes." They keep saying "Read the Footnotes" throughout the race. Anyway, Read the Footnotes has passed away now because he was a horse Seth owned a while back. Then we have "Turn Every Page." That is "Robert Caro" on the left.

We need to go in order. We need to start with The Power Broker. The most delicious thing in the world is Robert Caro's books. It is better than the best orgasm. You need to start with the first one. The unfortunate thing for me is I am currently reading the last Caro book, and he has one more coming before he passes away, which is the LBJ presidential years. They are going to release it, maybe a week before he passes away or something. He is 97 or something now. Anyway, Robert Caro is the best researcher in the world. He is the best writer in the world. There is a Netflix documentary called *Turn Every Page*. That is what he does. He sits there, goes to the LBJ Library, which is 50 million pages, and he turns every page. That is what we need to do: read the footnotes, and then turn every page and keep going.

Model 17: "Enjoy hunting for needles in haystacks." There is this kid in Omaha who is 12 years old, and there is a racetrack called Aksarben, which is Nebraska spelled backward. He goes to the racetrack every weekend, and he gathers up all the used tickets on the ground that people have thrown away because they did not win anything. They have thrown the tickets. He goes through each ticket one by one at home to find tickets that are winning tickets that some drunk threw away. He finds some winning tickets. But he cannot take it to the window because he is underage, so he gives it to his Aunt Alice. She would take the tickets to the window, collect the money, and give it to him. That is Warren Buffett. Who we are as humans is hard-coded at the age of 5. Between our genetics and the first 5 years of experience, the cake is baked. When you have a kid, and the kid turns 6, you are pretty much done. Whatever had to happen happened in the first 5 years. Definitely after the age of 12, you have zero influence, because after 12, they are influenced by their friends. The only thing you can do is control who their friends are. After 12, your job is to make sure they have great, high-quality friends, not low-quality friends. When you find that they do not have high-quality friends, that is when you do a major insertion into their lives. You become unpopular. But you make that insertion, and you take out that friend, no matter what the collateral damage is. That is your job as a parent. Focus for the first 6 years, and coach from year 6 to 12. Then, after 12, focus on the friends. Anyway, at 12, he is getting tickets to the racetrack one by one by one, going through it every night.

At age 23, he got the *Moody's Manual* and is going through every single stock in the manual. He finds Western Insurance. Western Insurance, by the way, which Buffett sold, was like a $15 share with $25 earnings. That is kind of weird stuff. He was looking for the tickets the drunkard had left behind. He goes to the *Moody's Manual*, finds these companies like Western Insurance, for example. If you kept it from then till now, which he never did, it is compounded at 19% since like 1951 or something, still going. But anyway, he made a lot of money doing that.

More recently, we have the Japan bets. He has a subscription to the *Japan Company Handbook*. Guy Spier and I met Warren Buffett for lunch in 2008, which was fantastic. Warren introduced me to Charlie, and Charlie became a good friend. I played a lot of bridge with Charlie. We used to have dinner at his place once a quarter. One of the best experiences I had, better than the Buffett lunch, was the lunches I had with Buffett's assistant, Debbie. Guy and I would go to Omaha every year. We had interactions with Debbie setting up the lunch and all that. We asked Debbie, "Debbie, would you like to go to lunch with us?" She said, "Look, Friday before the meeting, it is a zoo, but if you come on Thursday, I am free on Thursday for lunch." We went to Omaha on Thursday. We had lunch with Debbie, and lunch with Debbie was 50x better than lunch with Warren, because I could get to his core inner secrets. I am getting all this stuff about how Warren operates, which was a lot of fun.

One year, we went to have lunch with Debbie on a Thursday to the 14th floor in Kiewit Plaza, which is now Blackstone Plaza. Warren is standing at the elevator. I thought maybe he was going somewhere, but turns out he came to greet us, the two yo-yos, Forrest Gump and his buddy. He asks if we would like a tour of the headquarters. I told him that if he wants to waste time with a couple of yo-yos, then no problem. He takes us through the headquarters, showing us different things: "This is the letter I sent, this fund is going under, Long-Term Capital Management, this is the first stock certificate of this and that, these are some memorabilia." He showed us his Coke fountain machine. He was proud of all of that. Then we go into his office, and in his office, I notice he has the *Japan Company Handbook.* It was right on his desk, obviously he was leafing through it. I had a subscription to the *Japan Company Handbook* at the same time, and I had been through that issue. I told Warren, "Instead of you going through this one by one as you do, how about I dog-ear the pages for you?" I did not wait for him to answer. I proceeded to mutilate his copy. I dog-eared whatever I wanted to. It turned out that most of the good stuff was in the back. I said, "You know, Warren, you are going through from the front, but most of the good stuff is at the back." He said, "Yes, that is the case. I start with the A's, but the good stuff is in the back." He has been going through the *Japan Company Handbook* for at least 15 or 20 years. No action, just reading through it.

Then he finds the 5 trading companies, and he goes in. Those 5 trading companies all have a 7 or 8% dividend yield at the time. They are cheap. He can borrow in yen at half a percent. Berkshire does not need to borrow. They are drowning in cash, but Warren likes to play games, so he borrows the entire amount at half a percent in yen in Japan and buys the whole thing levered. That means that because the equity that went in is zero, the return is infinite. After a few years, all those companies doubled their dividends. Now he is getting 15% a year, paying half a percent, and the stocks have tripled. A total home run. Then Charlie says to me, "That was Warren right on point, doing so well. Berkshire is so big that the whole thing is lost in there. You cannot even see it; it is so small." But the kid from 12 to 23 to 95 is the same because the cake is baked at 5. He is doing the same thing he was doing when he was 12 years old.

We have this quote 2,700 years ago, from the Upanishads: *"As is your desire, so is your will. As is your will, so is your deed. As is your deed, so is your destiny."* The punchline is "Your deepest desire is your destiny." This means that if you say, "I want to find P/E of 1 stock," and it is your deepest desire, you have gone all in, no skepticism, you will find them. The first company I visited in Turkey with my friend Haydar was a P/E of 0.1; one month's earnings were equal to the entire market cap. What an orgasmic experience. I asked him why it was at a zero– P/E of 0.1. He explained it to me. There was too much hair even for someone like me. I could not go there. But he owned it. Anyway, if you want great compounders at bargain prices, you will find them. If you want great compounders at less than 2% of liquidation value, not even 3%, you will find them. The most important thing is what is your deepest desire? You cannot have 5 deep desires. You have to have only one deep desire, and you have to go all in. You buy into Model 18, "it will happen."

Charlie said to me, "You should always have someone to discuss your investment ideas with." I told him, "Oh, you mean like Warren Buffett?" He says, "Mohnish, it was not always Warren Buffett. There were other people. Our brains are a messy place, and you will be convinced that some idea that you have come up with is the best thing since sliced bread. But let me tell you, it is not the best thing since sliced bread, so share it with someone else. They will tell you why it is not the best thing since sliced bread."

When I met Charlie, he had already adopted Li Lu as his son. He told me, "Mohnish, I want you and Li Lu to meet, meet each other frequently for lunch, not less than once a month." I told Charlie, "If Li Lu wants to spend time with a yo-yo like me, I have no problem." Since Li Lu was given a commandment from God, "Thou shall have lunch with Mohnish," he had to have lunch with me. And at that time, there was only one location Din Tai Fung had in the United States. I told Li Lu, why not have all our lunches at Din Tai Fung? At least that way, the food is going to be great, the conversation will be great, and everything will be great. Of course, he is in Seattle now, and I am in Texas. We do not get to see each other as much, so Munger's plan did not quite work out. I have my friend Guy Spier, with whom I had a lot of fun discussing a lot of stocks with him. I do not call him about stocks these days, but I try to spend as much time as I can with him. But it is important to have someone that you completely trust and that you respect a lot, so that you can discuss your stuff.

"The mistress always looks hotter than the wife." But let me tell you, in reality, the wife is hotter. Do not go by what your brain is telling you. Your brain is lying to you. What do I mean by the mistress and the wife? The wife is the stock you already own, and the mistress is the stock you are looking at. The stuff you already own is awesome. Be extremely reluctant to switch the wife for the mistress.

There is Polonius in Hamlet. Warren edited Polonius, and I decided to keep his editing. Neither a short-term borrower nor a long-term lender be. If you are going to go into debt, you want to lend short and borrow long.

Model 22: Charlie told me many times, "Introduce randomness into your life." Randomness is important. One time, I was in London vacationing with my wife. That was before my daughter Monsoon was born. I am looking for something to read on the plane. I went to the bookstore in the airport, and I have never bought a stock in my life, but I found a title that looked interesting, so I bought it. Peter Lynch. I read the book, and I like it. Then I found that Peter Lynch had another book, *Beating the Street*, and I read it. Then I was out of Peter Lynch's books, and I said, "This is so sad, because I was liking the guy." He was talking about a guy, Warren Buffett. I have never heard of Warren Buffett. It was 1994 or something. I said, "Let me find out about this Buffett guy, because he is talking about him in reverential terms." Then that opens up this huge universe: all the Berkshire letters, and the first few biographies on Warren. I start reading all of those, and I am in heaven. It was great. I have never worked in the industry before. It is because I picked up this book that I heard about Buffett, and I started to invest. Then, my friends told me to set up a fund, and here I am. Pure Forrest Gump. Randomness is important. I do not know where I would be if I had not read that book. That book was a total random thing I picked up. I was not looking for a book on that subject.

Model 23: Now, we are going to do some violations of the previous model, and I am sorry about that. But we need to "be a Swiss Army knife." Warren has so many different blades that he brings out at different times.

Even though we have the 20-punch card. Those are the compounders. We are going to find one every 5 or 10 years, and we keep that. But "pay attention to the spinoffs."

Then "focus on the uber-cannibals," the companies that are eating themselves. We have this company, Alpha Metallurgical Resources, in my portfolio. Gold prices go all over the place. In the last 4 years, they bought back 32% of their shares. Apple bought back 11%. Microsoft bought back 10%. They bought back more than any other company. They take all the extra cash and buy the shares. Beautiful.

“Focus on the spawners,” companies that are creating other companies, like Alphabet and Amazon.

“Arbitrage is great.” These are Mickey Mouse games we play while we are waiting for the real game to show up. I owned a company called Transocean. They are acquiring Valaris. If you buy Valaris and you buy Transocean and the deal closes, you make some money.

“Heads I win, tails I do not lose much.” We want upside without downside. We always want that. I will tell you a nice story. There is a Canadian company that I found in 2003-2004: $15 a share in cash, $40 stock price, and they have guidance saying the next 2 years they are going to have $15 a year in cash flows. No debt. If you include the 2 years of cash flows, you have got $45 of cash and a $40 stock price. Plant equipment inventory becomes free. I thought, “After that, it could be losing money, it could go negative, but why keep such morose thoughts in your head? We are going to buy this stock, own it for 2 years, and see what Mr. Market does with this.” We put 10% of the portfolio into IPSCO, understanding this math, and a year goes by, they say they are going to have one more year of $15. Hallelujah. Now the stock is at 90, and it has been over a year, with long-term gains. While I am thinking these thoughts, a Swedish company comes in and offers to buy them at 160. Stock goes to 155. One femtosecond later, I sell it. We move on.

Then someone on Twitter, on X, puts a message: “David Einhorn's bet in CONSOL Energy looks like Mohnish's IPSCO bet.” This is why I mention these things like IPSCO because they go on videos and then people tell me, and I say, “There is a God who loves me. IPSCO is back.” Then I look at CONSOL with the lens of IPSCO, and I realize it is almost exactly like that. I decide to go buy CONSOL. That leads me to met coal, and that has been great.

“Focus on low-risk, high-uncertainty bets.” If a business has low risk and high uncertainty (like an oil company, who knows what the oil price is?), then uncertainty is high, and the rewards are likely to be high. That is the formula: low risk plus high uncertainty is likely high reward. Always focus on the low-risk, high-uncertainty. Wall Street loves low risk, low uncertainty. ADP, a payroll processor, ultra-low uncertainty, priced to perfection. We want the opposite of that, where Wall Street cannot figure out what the earnings are, and then it gets confused, and we can make money.

Model 30 might be hard for all of you: “Do not skim off the top.” The 1%, 2%, 1 and 20, 2 and 20. Go 0, 6, 25, and life is better. Warren and Charlie both became friends because they appreciated that and the foundation. Now I have to skim off the top because I have an ETF, so kicking and screaming, I have to skim off the top, but try not to do that.

When you combine all these mental models, it is a large number. The key is that you use them all at the same time. If you use them all at the same time, you are an invincible machine. Nothing can stop you. There are a few more models.

These three books can help you get more models. These are models for starting a business. We are not going to go into them. There are models for life in general, to be given at a future talk, not over here. Thank you so much. Let us take some questions.

Question: Thanks for being here. I had not realized your portfolio was concentrated in terms of Turkey, and I was wondering if you could talk a little bit more about what you see in the country demographics and as a market. A friend had just pitched me on KSPI, which was in the news. So maybe you could just talk about Turkey as a market.

Mohnish: I am Indian. I am not Turkish. I find India a difficult market to invest in, and I find Turkey an easy market to invest in. The reason is that in Turkey, the float of the average public company cycles every 17 days. In fact, my Turkish friends tell me their surprise is that much. They thought it would be 5 days or 10 days. The average Turkish retail investor, and maybe even the professional investors, want to buy at 10 o'clock, sell at 3 o'clock, and make 10%. That is their business model. No one does any research on anything. Warren Buffett has a quote: "The stock market is a mechanism to transfer wealth from the active to the inactive." That could not be truer in Turkey. When I was buying Reysas, which is sitting at $15, $20 million, the broker told me, "I have 5% of the company block, available for $1 million. Templeton Funds was selling. Do you want it? They want 5% above the market price." I said, "Take it out." Templeton Fund is not a Turkish entity. Some yo-yo in New York issues an order to the guy in Turkey to sell everything in Turkey, with no consideration for what is being sold. What the 5% that they sold me for $1 million currently has a value of $125 million, but that in 3 or 4 years is probably about $400 million. It is not done there because they are going to compound for 20 years from now.

India, on the other hand, has two issues. One is that there are a few businesses that are publicly traded in India, which have great corporate governance. If I look at 5,000 listed companies in India, I could come up with maybe 100 or 150 businesses that have exceptional corporate governance. That is your universe. There are lots of smart investors, all in those names. I find a great business in India, and it will be trailing earnings 50, 50 times P/E, 70 times P/E, so on. I find the same great business in Turkey, and it will be at 4 times, 6 times, 7 times, whatever. The first model in the Latticework of Mental Models is "Take a simple idea. Take it seriously." We are going all in on Turkey. Full on. No consideration of anything else.

Question: Thank you for coming. Your daughter is also interested in investing and might have come to Nick Sleep's lecture. I was wondering how you think about the pressure that is on her to replicate what you have done.

Mohnish: I never talk to my kids ever about investing or becoming investors. I always told them to find what they love to do and go do that. What ends up happening is that it is not that the apple falls near the tree; it falls directly under the tree, at the epicenter, near the trunk. That is the way life is. But the thing is that she is advanced compared to me in the sense that she is only interested in the great businesses, which took me so long to get to, which is great. The negative is that she pays too much, and we have had that conversation. Now we are having it in public. But she will get there. The good news is her favorite stock, maybe her second favorite stock, is Turkish Costco. Life is good.