

Mohnish Pabrai's Interview with Knowledge Inside on August 19, 2026 – Episode 1

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 is suitable for you and consider seeking advice from your own financial or investment adviser.

Interviewer: Today I am sitting with Mohnish Pabrai. For the past 30 years, he has built his career around one simple idea: Do not reinvent what already works. He started with \$1 million. Today he manages \$1.4 billion dollars.

What have these three decades taught him? I traveled to Texas to find out. Mohnish, welcome back to the show.

The last time you were on the show, you mentioned that you enjoy eating sundubu jjigae, and Korean audiences responded so enthusiastically to that comment. Some even said that they would personally treat you to a bowl if you visited Korea. So, any plans?

Mohnish: I used to go to Korea quite a bit for business, and I have many good friends there. I am hoping I can visit soon because I love the place and I love the food. Also, I used to live in California. We have Koreatown. In fact, Charlie Munger lived right next to Koreatown. He loved it. He said, "I love the fact that I am surrounded by Koreans." When he moved, there were no Koreans. He moved in the '60s, in the LA area, the Bangkok Park neighborhood. Then the Koreans came in the '70s, '80s, '90s, and it became Koreatown.

There is a lady who came from Korea. She was the mistress of the guy she came with, and he started a number of businesses that all failed. She said, "Let me try to do a business on my own." She started BCD Tofu House.

Interviewer: That is legendary now.

Mohnish: Yes. There is one in New York. She started that, and it took off.

Very recently, she passed away. Unfortunately, she got ovarian cancer. She passed away relatively young. Recently, I was having dinner with a friend of mine in LA, maybe 2 or 3 years ago, and he brought a friend who was her son. The son is a doctor, but he became the CEO of BCD, and medicine was put on the side. He probably thought I was a stalker because I kept telling him how much I love BCD. I was asking him about his mom, about whether she was a good cook. He said, "No, she could tell her taste buds were good. And so, she could tell what was kind of right on, right off." BCD worked well. That was my introduction to Korean food, and I went from there.

Interviewer: Have you visited Korea?

Mohnish: Yes, many times.

Interviewer: What was your impression of the country?

Mohnish: Korea is an advanced civilization, probably one of the most advanced civilizations in the world. The history is unfortunate—North and South being divided. Also, the economic situation in Korea was not that great in the '50s and '60s, but then the rapid rise after that.

The funny thing is that Japan came in to help Korea develop, and what ended up happening is that the student became better and surpassed the teacher on a number of fronts. Look at POSCO. It originally got its start from Nippon Steel, which was the one that helped it, but POSCO surpassed Nippon Steel. It became more advanced. The same with Hyundai, Samsung, and so many others. Every time I go to Korea, I feel that when I come back, I have come back a step down because everything is so well done and so efficient. Even if you go to fine dining in Seoul, you pay at the counter. It is efficient. I like that because when we are done, we are done. We just want to go. It has been great. It is wonderful.

Interviewer: We are here in Austin. It is our first time, and I am having a great time here. I want to start with this. After our conversation, if I take everything that you say to heart and act on it, what will change about the way that I invest?

Mohnish: I would say that before we change how to invest, we should change how to spend. The simple change in how to spend is to spend less than you earn. Koreans do not need lessons on that. They are great savers. But in general, most of the battle is on the saving side. You have to spend less than you earn. If you do that, you do not need to know much about investing. You can put it into an index fund and, over a lifetime, because of the asymmetry of compounding, even with a relatively small amount, you are going to become wealthy. Small changes done early in life have huge impacts long term without having to give up anything. It is all about spending less than you earn. The second part is you do not even need to spend a lot of time figuring out investing. Put it on autopilot.

Interviewer: With semiconductors and the global AI boom on everyone's minds, Korea has become a major focus for investors. You have watched the markets for the past 30 years. Does what is happening now remind you of something that you have seen in the past? Especially given the volatility of the Korean market, should I, as a retail investor, think of it as an opportunity or a risk?

Mohnish: I am a computer engineer by training. I used to design hardware, and a few years back, I used to own Micron. When I visited Korea a few years back, I met with SK Hynix and Samsung, specifically the memory groups in both companies. I met with them several times. I understand all three businesses quite well.

It is not the same as what we saw in 2000 with the dot-com bubble. If you are in a gold rush, you want to own the pickaxe maker, or if you look at the gold rush that took place in California in the 1850s, you want to make Levi's jeans. Levi's was born in San Francisco during

the gold rush, and denim was a durable fabric for working in. In effect, Levi's got its start because of the gold rush, because all the gold miners bought the jeans. Today, when we have the AI boom, the pickaxe makers are the memory guys. SK Hynix, Samsung, and Micron are the three companies that own the market. It is difficult for a fourth player to come in. They are locked in almost like an oligopoly between these three companies. If you look at the three companies' cash flows, they are not trading at crazy valuations. The question is, how sustainable are those cash flows? If you put a gun to my head, I would say more likely than not, those cash flows might persist for some time. Also, what these three companies are doing is that they are taking advantage of the situation and offering their customers long-term contracts at set prices. But those long-term contracts are take-or-pay, which means that Apple would commit to buying memory of a certain volume over a certain period of time. If they did not buy that, they still have to pay them.

What companies like Micron, SK Hynix, and Samsung are doing is they are locking in revenues for the next several years. Regardless of what happens to the AI boom, they have locked in their revenue and profitability. I would say that for the individual investor, the best thing is not to play in this area because the first thing to ask yourself is: Is this company within my circle of competence? The memory business and the AI business and all that have a lot of fine nuances to them. Personally, I think that the Korean situation is unusual right now because the KOSPI is dominated by the two companies.

In effect, you are not getting an index. You are buying SK Hynix and Samsung. In my opinion, Korean investors should buy a different index. Because even the S&P 500 has problems, the different index they should buy is Berkshire Hathaway. Berkshire Hathaway is a combination of many businesses. They own some stocks and have a lot of cash. It is not overvalued. It is a large company, and Koreans can buy it easily.

Berkshire Hathaway Class B shares, BRKB, should be treated like an index, like the KOSPI. If I were Korean, that is what I would do. I would spend less than I earn and then I would put the difference into Berkshire Hathaway Class B.

Interviewer: When you were on the show before, you had mentioned that you sold your SK Hynix shares against your own principles. It seems like you still think that SK Hynix and Samsung are attractive stocks; is that correct?

Mohnish: Yes. I used to own the biggest position in Micron. They are similar. I would say that even though Micron is not Korean, in my opinion it would be the best of the three bets. Their governance is good, and it is a well-run company. Samsung, you get a lot of other pieces with it. It is not a pure play. Between SK Hynix and Micron, I prefer Micron. I do not regret the sale of Micron. I owned it from 2017 to 2023. In 2023, all three of these companies were having a difficult time. In fact, they all lost money. They were bleeding cash, the opposite of today's situation. What happened in 2023 was that Samsung decided it wanted more market share. They became more aggressive and

dropped their prices. The other two companies had to follow suit, and nobody was making money. At that time, there was no AI on the horizon. I looked at the situation. One of my underlying assumptions was that three players would act rationally. They would not try to do what Samsung was doing, which is trying to take more market share because that would make things worse for everyone. When I saw that, I said, "Okay, the game is different," and we decided we got to move on. Even today, if I were to go back and make that decision, I would make the same decision. Hindsight is 2020. We did not have the benefit of knowing that it is going to go wild and crazy, the way it is going right now. This was an outlier event that took place. But I think the memory business has some legs. AI has some legs. We do not know who the winners will be. No matter who the winner is, they need memory. Memory is the pickaxe. They need the pickaxe. They cannot do without it. Because of all the patents and trademarks, it is difficult for a fourth player to come in.

Interviewer: Aside from the memory pickaxe players, is there another Korean company that you are generally genuinely interested in right now or that you think would be attractive to an American investor as well?

Mohnish: I have not spent a lot of time recently looking at Korean businesses. There are lots of good Korean companies. Historically, they were cheap, but at the same time, they were not shareholder-friendly. The cheapness would persist for a long time.

I am a global investor, so I look at things around the globe, and currently there are other markets in other areas that appear more attractive. That is the nature of it. It is going to be unlikely that, if I am looking at markets around the world that I am going to find that Korea is the best all the time. It was the case when we were looking at the memory situation. It looked great. But also, Korea has some headwinds that are somewhat problematic. In fact, these headwinds are even worse than Japan's. The big headwind is the low birth rate. The amount it dropped surprised me. Japan is now losing about 700,000 people a year. The population is going down by almost a million people a year. Korea is also going down now, and 0.7 is low.

My big message to Korean young people is that you need to get married early. You need to have lots of kids because an advanced civilization is not going to stay advanced. Japan is an interesting case because it happened in Japan before Korea or China. It has happened to many other countries. Japan was somewhat able to circumvent some of this by being an export powerhouse, and Korea has gone down that same path. For example, when I look at Hyundai Motors, it is cheaper for them to manufacture in Alabama than in South Korea. Part of the reason is that labor availability in Alabama is easier than in South Korea because the population is going down. It is a bothersome situation with this much decline because the country is going to age fast and they have to find an answer relatively quickly.

Interviewer: I want to switch gears to the S&P 500. I know you mentioned that it has also got its own problems, but it cannot deny the fact that it has had an extraordinary run. After more than 30 years of investing, how

do you view the U.S. stock market right now? Is it a good time to invest? What are your thoughts?

Mohnish:

One of the things to remember about index investing is that even though it is good, when we go back and look at the long history of the S&P, over 100 years, for example, has averaged more than 9% a year. That is an excellent result.

But if you look at some periods from, let us say, 1965 to 1982, in 17 years, it was zero. The S&P was at the exact same level between 1965 and 1982. Even though the U.S. economy grew a lot, profits grew a lot. The reason was that in 1965 the market was overheated, and by 1982 it was undervalued. It was not a good time to invest in the index in the late '60s, and it was an incredible time to invest in the index in the early '80s. Then from 1982 to 1999, it was a spectacular run. The S&P went up 15 X in those 17 years. It was zero from '65 to '82, and then '82 to '99, it went up around 15 times, which is a lot. Then from 1999 till about 2010, it was zero again. We repeatedly see this pattern, and you can go back all the way to the 1910s-1920s. You will find 10-, 20-, even 30-year periods where it is flat, and then you find 10-, 15-, 20-year periods which are spectacular. We are at a point now in 2026 that it would not surprise me that over the next 10 years the S&P is between -2% a year and +2% a year on average. The next 10 years, the best guess I have, looking at the levels and where it has been in the past, is that it is probably not a good place to be. That is why I suggested that we look at Berkshire Hathaway like the index. By 2035 or thereabouts, the S&P will be ready for its next run. But we have these 10 years, the abyss that we have to cross. Ten years stay in Berkshire Hathaway. Then the S&P will be ready to roll again.

Interviewer:

You have said that you have an investment checklist with 213 items. Can you give me an example of a company that you are seriously considering and then something on the checklist made you stop and reassess that decision?

Mohnish:

That happens a lot because one of the first things I do when I look at a business is run the checklist. Most of these 213 questions fall into three buckets.

The single biggest reason companies have issues is leverage. They have too much debt, or they do not have enough equity. There are at least 20 or 30 questions related to different aspects of leverage.

The second biggest area where we run into problems is the sustainable competitive advantage of a business, the moat. That is another big area. The nature of capitalism is such that anytime you have a successful business, let us say, for example, I open a sushi restaurant here in Austin, and it does well, and there are lines out the door. It is busy all the time. In a few years, there will be many other sushi restaurants around me because people are going to look at that and say, "It is doing well." What may happen in a few years is there may be so much competition, which is so good, that the restaurant does not do as well anymore. The nature of capitalism is that almost no businesses will do well for a long period of time because competitors are going to come in. Now, what happens sometimes in

a business is that a moat gets built. Like you start Coca-Cola and a brand develops, or you start MasterCard and it becomes the standard. Then those businesses can endure for a long time. But most businesses are not like that. Most businesses that you look at are going to have problems with long-term prosperity. That is the second area where the checklist comes in.

The third area is stuff related to the owners and managers: the quality of the owners and managers. Whether they are being compensated too much, whether they are good, and various things along those lines.

Again, the three things are leverage, the nature of the moat, and the nature of the knight running the castle. These are the three areas that are most of the reason that companies run into trouble. Let us say we look at a business like Hyundai, for example. When you look at a business like Hyundai, one of the negatives of that business is that it is difficult to stand out. Auto manufacturing is competitive. You have to continuously innovate and improve. Now we have a disruptive change with electrification, and that takes away a lot of the competitive advantage that Toyota used to have, for example. How Hyundai is doing in 10 or 15 years is a difficult question to answer. It could be doing well, and it may not be doing well. We do not know.

One of the negatives of a business like Hyundai is that it is capital intensive, and generally speaking, capital intensive businesses are negative for the investor because you have to put up a lot of capital, and then getting a return on that capital can be questionable. When Hyundai competes with Toyota, it is tough competition. Both are good companies. When a Hyundai electric car competes with Tesla or BYD, it is also tough. When I look at a business like Hyundai, I would be inclined to say, "Let us leave it alone," because it falls into what I would call the "too-hard pile."

Let us look at a business like MasterCard. It is easier to see that it may be around for a while even though there are competitive forces in payments. The issue is that investors around the world understand that MasterCard is a great business, and so they bid it up in price. Typically, what will happen is that a great business like MasterCard, Moody's, or S&P Global, which runs different indices, tends to be fully valued or overvalued. What we are looking for is a business that is great but being overlooked. We want to find greatness before it is universally recognized as great.

Around eight years ago, I started going to Turkey; I was looking at the Turkish market. It was screening cheap. I have a friend who is a deep value investor in Turkey. I asked him if I could visit his portfolio companies. He said, "Yes, that would be great." When I went to Turkey, the currency was unstable, and inflation was high. Nobody wanted to invest. All the foreign investors had left. The Turkish local investors are short-term oriented. They do not look at the company fundamentals. I found that there were some good businesses in Turkey that were extremely cheap. In fact, they were so cheap that it defied imagination.

To give you an example, one of the companies I met with on my second visit in 2019 is a company that rents warehouses to companies like Amazon, IKEA, Carrefour, Mercedes, and Toyota. They are the largest warehouse operator in Turkey; 99% leased. Inflation-indexed leases; stable business because rent has to keep coming. If the rent does not come, they throw you out. The business had assets that were worth a billion dollars. There was \$200 million in debt, and the market value of the business was \$15 million. I am able to buy a business worth \$800 million for \$15 million. It is like being able to buy a house or an apartment in Korea, which is maybe a billion won for 20 million won. That is 2%.

Interviewer:

It is a good deal.

Mohnish:

Something like that should not even exist. I spent \$8 million, and we owned one-third of the company. Fast forward seven years, by funds, we own 41% of the company. The market cap now is \$1.8 billion. It went from \$15 million to more than a hundred times that in seven years. But the thing is that the \$15 million was a totally stupid value. It is like the 20 million won apartment. That is a stupid value.

What I did not know when I invested was that the people running the business were good capital allocators. They moved the value of that business from \$800 million to now about \$3 billion, and it is still undervalued. It is a good business because a rental business renting offices or warehouses is stable; it is difficult for people to move out. This is a business that we do not need to sell. We own it. I think of it like a family business. I do not run the business. I am not on the board. I do not make any decisions, but I do not want to make any decisions. It is better to make no decisions because the people making them are better than me. We let them make the decisions. Let them do everything that they are doing. Charlie Munger said, "A few times in our lives, we are going to get a trip to the pie counter where all the desserts are. When you get a trip to the pie counter, you load up on a lot of pie because you may not get another trip to the pie counter for a long time. You load up with pie for a long time, and then you keep the pie."

One of the interesting things about capitalism is that in the late 1960s and early '70s, there was a concept in the U.S. known as the Nifty 50.

This concept was that people said, "Here are the 50 best businesses in the United States. For example, IBM, Digital Equipment, Xerox, Polaroid, Kodak, Avon, Coca-Cola, McDonald's, and all that. It does not matter what the valuation of these businesses is. Put 2% into each of these businesses." They created a Nifty 50 index with 50 companies, each one at 2%. They said, "Buy this index, and then forget about it. Do not worry about how expensive it is."

What happened is the Nifty 50 got so popular that the valuation exploded. These companies were trading at 50 times earnings, 70 times earnings, 100 times earnings in 1971-1972. Then, in 1973 and 1974, the U.S. stock markets went through a major correction. It was a crash in slow motion. The market crashed over 2 years. From 1973 to 1974, the market went down 50%. The Nifty 50 went down 70%

because it was so overheated. By the end of 1974, no one was invested in the Nifty 50 because they got burned so badly that they sold it.

There is some controversy over whether Walmart was part of the Nifty 50 or not. Let us assume, for argument's sake, that Walmart was one of the 50 companies in 1971-1972, and let us say you kept the Nifty 50 from 1970 till 2026. You did not do anything. Let us also assume that 49 out of the 50 companies went to zero: IBM zero, Coca-Cola zero, McDonald's zero. They went down 60-70% at one point, but they did not go to zero. But let us assume they all go to zero except Walmart. You keep Walmart running the way it ran. When you come to 2026, that portfolio, in which 98% went to zero, would have compounded at 15% a year on the whole thing, with Walmart at 2%. It blew out the S&P by 4 or 5%.

What is the lesson there? The lesson is that the nature of capitalism is that the market returns of an index are coming from a few companies, and the most important thing is not to sell those companies no matter what happens.

Walmart went public in 1971 or 1972. After it became public, the Walton family collectively owned 44% of the company. Now it has been 54 or 55 years since the IPO. They own 46% of the company.

They have not sold, and they bought back some shares, so their share has gone up. They have been getting dividends. They have lived on the dividends. It is a big dividend. If you combine all the Walton family, they will be the number two wealthiest family in the world. Elon Musk is number one, and the Walton family is number two. The important thing is that when you make a trip to the pie counter, and you happen to buy Walmart, until a business like Walmart goes into permanent decline, do not worry about what the stock price is. Do not worry about how expensive or cheap it is. Just keep it.

The Turkish company, in which we have 41%, is not in decline. It is climbing. For me, if it is climbing, then let it sit and do nothing. If it declines, the question I have to ask myself is, "Is this temporary? Is there a recession? Or is it permanent?" I have to understand that. That is the most important thing to understand. Is the decline permanent or not? You can also be sloppy in selling because you have got so much gain that even if you sold at a 50% drop, you still make a lot of money. You do not need to be trigger-happy. The important thing in investing is that if you were to, for example, buy SK Hynix, you should ask yourself, "What is the moat of SK Hynix? Ten years from now, are there still three players in the memory business? Is memory still important? Did software make memory irrelevant?" We do not know. But if all these questions are being answered in the right, favorable way, then we would do nothing. We would leave it the way it is. If you happen to own a company like Google, Apple, or Hyundai, for example, do not do anything. Do not do anything until there is clear evidence that the decline is permanent, not temporary. When you know that the decline is permanent, that is when you need to act.

Interviewer: From your answer, I gleaned a lot of the questions that you ask yourself that are on the checklist. Is the decline permanent or temporary? What is the moat? Is there a red flag, though, on that checklist? No matter how attractive this company is, if you see this point, you will not invest.

Mohnish: Recently, I was listening to a podcast that was going through a biography of the founder of IKEA. He has passed away now. He had a view that IKEA needs to be built to last for 500 years, 1000 years. All the decisions he made with IKEA were through the lens that it needs to be around for 500 years. Ingvar was the founder. IKEA never went public. It is a private company, and Ingvar never took a dollar of debt. He felt that if IKEA took debt, there could be a downturn in the future and the company may not survive. He said, "If we have to survive 500 years, we cannot have any debt." He never took on any debt. Every single IKEA store has been built out of the retained earnings from the past profits. That is an extremely stable, robust business. Are you a fan of IKEA?

Interviewer: I am.

Mohnish: OK. If you go to IKEA, you will see the prices and quality are great. They have gone backward into the supply chain and made everything cheap. Most of the value for IKEA goes to the customer, like Walmart or Costco. That is a durable business. When I look at the checklist, the single biggest reason businesses fail is leverage. The first thing I look at when I look at a company is what the debt situation is. How much debt do they have? This company in Turkey, which we own, in the last seven years, has almost wiped out the debt.

Think about it. A real estate company which is renting warehouses has no debt. In Korea, if someone builds a tower of apartments, they are going to have a lot of debt. They are not doing it out of equity because they want to make money. But when you add debt, you make it less stable. This company in Turkey has grown its real estate dramatically without debt. They are like IKEA. That is stable because I used to think, "What will destroy this business?" Then I thought, "Istanbul is in an earthquake zone. It is seismically active. What if there are earthquakes?" In the last seven years, we had two big earthquakes. They did not even have \$1000 of damage to their property. I asked them about it, and they said, "We put so much effort into making sure that an 8.0 is not going to affect us. A 9.0 may affect us, but an 8.0 is not." I thought, "Good, I thought an earthquake would be a problem. They already thought about that. That is a resilient business." Businesses are fragile because capitalism is brutal. If you have a coffee shop that is doing well, three others are going to open next to you. They will destroy your business. Being able to have a moat where you can resist all that is unusual. The IKEAs of the world, the Walmarts of the world, or this Reysas company in Turkey are rare businesses. That is why, when we own these rare businesses, we do not do anything. We keep them.

Interviewer: For a retail investor, a beginner, novice investor, is it safe to assume that the criterion from the checklist that we should apply maybe

right away, which is easier, is to find a company that is not in debt? Is that what you would say?

Mohnish: What a retail investor needs to do is buy Berkshire Hathaway. We are in kindergarten now. We have not gone to college yet. When you are in kindergarten, first, second, or third grade, you are buying Berkshire Hathaway, 100% of the portfolio. The second step after Berkshire Hathaway, after you have learned the alphabet and started to read, is to only look at businesses where you are personally using the products. I mentioned Amorepacific in Korea.

Interviewer: I remember from the last show.

Mohnish: Yes, she uses the product. Maybe you do too.

Interviewer: Yes.

Mohnish: You can research that company because you already know the product. If you love Burger King or Starbucks, you can study those products. One thing to remember is that it is difficult for any business to get even \$1 from you because, as a consumer, you are particular that your money gets you great value and great products. When you are a consumer of a product, that is probably a good company. The first filter is: Are you excited about the product? Are you a user? For example, do you always buy Apple phones?

Interviewer: I do.

Mohnish: There you go. You are not going to look at Android and make an investment in an Android company. You are not going to say, "Oh, the Samsung phone is doing well." You are not a user of the Samsung phone, so you are not going to look at that. Make a list. This would be an interesting thing for an investor to do. They should make a list of all the products that they use. Do you go to Starbucks? Write it down. You buy Coke; write that down. Do you buy Amorepacific? Write it down. Apple, write it down. Make a list of all the products that you are using. The second step after that is to start looking into the companies. We are still 100% Berkshire Hathaway. What we want to see is something that makes no sense. We want to see a great business that we are a consumer of where, when you look at it, the price is too low. It is too cheap. Then you keep studying it. When you are still convinced that it is too cheap, then you go 10% into that product, 90% Berkshire Hathaway.

Interviewer: Okay, start to diversify.

Mohnish: You are 10%, 90%, but you only go 10%. Let us say if I look at Apple and it is trading at trailing earnings of 17, that is not that cheap. But let us say it is trading at trailing earnings of three. That is too cheap. We are going to buy Apple because it makes no sense. Like I told you, we bought that business at 2% of its value because it was too cheap. It did not make sense. We have to look at the list of products that we are using. There is something in that list where we love the product, but people are not giving it a good value. That is what we want to look at. That is where we want to go.

Interviewer: You can do that as a retail investor.

Mohnish: Yes. I will give you an example. There were two articles in *The Wall Street Journal* that Burger King has come up with a new Whopper, their burger. They changed the bun, they changed the mayonnaise, and they improved the packaging. Sales went up by 10% in one quarter, which is a lot, because people started going back for the Whopper. I tried it recently, and it was much better than before. I said, "Okay, let me study if this is going to cause a change where people in the market may not understand that Burger King may have some advantage that it did not have in the past." Now I have not made any decision yet. More than likely, it means nothing. There is some possibility there because there is something going on that may not be reflected in the price. That is what we are looking for. You may find a brand of cosmetics where they have something where the wrinkles go away. Something works better than it did. The market does not recognize it, but you are a consumer; you recognize it. That sort of thing. We are looking for things where, because we are familiar with the products, we have an edge.

Interviewer: It is interesting. It seems what you are saying is that a retail investor, because we are consumers, can also have a piece of that circle of competence.

Mohnish: In fact, we can be better than the institutional investors because we have direct knowledge. You may understand things better because you know a lot of things are based on taste. It is an intangible. That is not going to show up in a spreadsheet till later. That is what we want to focus on. Something intangible.

Interviewer: We cannot talk about investing without talking about AI these days. These days it seems like everyone wants to invest in AI. They want exposure to it, especially companies like NVIDIA. You are the expert in the history of finance and investments. Does this kind of excitement also feel like history is repeating itself? Does this remind you of something you have seen before?

Mohnish: In general, you do not want to be looking at areas where everyone is excited. Generally, those are going to be overheated areas.

Interviewer: The bubble is what they are saying.

Mohnish: What I would say is that, on the AI side, the only area I would look at possibly is memory, the pickaxes. I could look at NVIDIA, for example, but I will not look at anything else. I would say even better than looking at that is the Turkish warehouse operator, which has blown out NVIDIA. It has done better than NVIDIA and better than all of them.

Interviewer: How did you find that company? Through a friend you visited on a whim? Is that how you found it?

Mohnish: Here is the funny thing. I told my friend that I do not want to visit any company in Turkey where he does not have money invested. I told him that we should start with the business where he has the most money invested and go down the list.

The first year when I was visiting, he sent me a list of companies we were going to visit. I have never heard of those names. They meant nothing to me. I thought that I was not doing any work on these companies. I am going to meet the companies, and after I meet them, if something looks interesting, then I will do the work. I will start drilling down. What I was doing in Istanbul was that whenever we were driving to a business, that is when I started to ask him questions about the company, so that I would have some knowledge.

The second year, when I was visiting, and we were about to go visit this warehouse company, I asked him, "Where are we going?" He said, "We are going to a company where the market cap is \$15 million, and the liquidation value is 800 million." I said, "Wait, is it a fraud? This is around 2%." He said it was not, so I asked why it was so cheap. He said everything in Turkey is cheap. To me, it was something stunning to hear. Then I asked what they do, and he said they rent warehouses. To me, that was a stable business.

A father and son run that business. When I met them, they came across as good, smart business people. I said, "Let us go visit the warehouses." I spent the afternoon, and they are beautiful. They are well-taken care of and in prime areas. My friend said, "If you go to any commercial broker in Istanbul, show him all the properties; they are going to tell you it is worth a billion dollars, and then you take out the debt." He is saying that it is simple to value. After a few months, I was surprised that my friend sold the company. I said, "It had doubled in price, and is still cheap." He told me that he has a rule that whenever something doubles, that is when he sells. I said, "There is a major intervention needed here."

Interviewer: He should have stayed at the pie counter and left it.

Mohnish: This is like you have desecrated the temple. These are violations. What I did is I sent him a big bust of Charlie Munger. It was a 70-kilogram, life-size, bronze bust. I told him to put it in his office and to pray to it every morning to get some wisdom. It worked because he saw what my returns with Reysas were and what his returns were.

Interviewer: Was it too late for him, though? He already sold?

Mohnish: Yes. I told him he could buy it back, but he said he cannot sell something for 40 and buy it for 80.

Interviewer: You cannot do that, out of principle.

Mohnish: It is difficult for people to do that. Of course. He could never go back in, but the subsequent investments he learned and that was good.

Interviewer: That was the price he paid to learn the lesson.

Mohnish: The nature of life is that we are old too soon and wise too late. As long as we get some lessons over time, that can be good.

Interviewer: Looking at the public portfolios of great investors, including among value investors, the number of holdings, position sizing, and approach to holding cash are all different. You are what is known as

one of the investors who most faithfully follows the Warren Buffett investment philosophy. I am curious, has there ever been a case where you and Buffett looked at the same company and reached different conclusions?

Mohnish: That happens all the time. In fact, I would say reaching the same conclusion would be more the exception than the rule. The reason is that our life experiences are different. I will give you an example. Warren Buffett made a big investment in American Express around 1964. In 1964, American Express had a big loss because of some lending they did. That loss was so big that the stock got taken out back and shot. It was taken down a lot. He put 40% of his fund into American Express. The reason he did that was that he said the main moat of American Express is whether people have confidence in the credit card, the brand. For him, the important thing was that a merchant has confidence in it. Let us take a restaurant, for example. If it accepts the American Express card, they have to have faith in AmEx because what happens is that you have dinner, you do not pay them; you give them the AmEx. Now, AmEx owes them money. They have to have confidence that AmEx is going to pay them. When this whole crisis was taking place, Buffett's question was, "Do people have faith in American Express?" He went to a number of fine dining restaurants in Omaha and stood by the cash register. He watched whether they were willing to accept the AmEx card or had some hesitation. None of the restaurants had any hesitation. Zero.

Interviewer: This is after the crash?

Mohnish: Yes. When this was in the papers every day, the restaurants were accepting the AmEx card as if nothing happened. He thought, "They do not care. They have confidence because it is an intangible." If people do not have confidence in you, it is over.

Interviewer: So, the decline is temporary?

Mohnish: Yes. He put 40% in. But then it came back to normal, and he sold. Today Berkshire Hathaway has a large AmEx position. They sold in like '66 or '67 and did not buy it back till maybe the mid-90s. Buffett said that he was playing golf with the CEO of Hertz Rent-A-Car. Warren asked him questions about American Express. Hertz accepts the American Express card, and American Express charges more than Visa or MasterCard. When Hertz accepts the AmEx card, they have to pay 3% to AmEx. But with Visa and MasterCard, they only had to pay 2%. Warren asked him, "When you accept AmEx, it costs you more. Visa and MasterCard cost you less. Why don't you stop accepting the AmEx card?" The Hertz CEO said, "I cannot. If I stop accepting the card, I will see a drop in revenue because there are customers who have a strong affiliation with AmEx. They will go to Avis. In order to save that 1%, my revenue is going to drop. I cannot." He told Warren, "Do not tell them this, but if they raise it from 3% to 4%, I will still pay it. I have to." What Buffett did right after that golf game was that he bought AmEx.

Interviewer: He sold it and then rebought it.

Mohnish: He bought it after almost 30 years. He said publicly, "I understood AmEx, but I did not understand it well enough till I had the conversation with the Hertz CEO, who showed me that the moat was powerful." In the late '80s or early '90s, there was a revolt among restaurants in Boston. I do not know if you remember that; maybe it was before your time. Restaurants in Boston were upset that AmEx charges extra. The restaurant business is tough. These credit card fees bite; AmEx charges more. These restaurants in Boston all banned together and said, "We are not going to accept the AmEx card. If all of us do not accept it in that area, the customer will switch to Visa, and we will not see a drop." They banned together and told AmEx to drop their fee, or they would not accept the card. AmEx now had a problem because their concern was what if that spreads to other cities. None of the restaurants wanted to pay the extra 1%. But AmEx did not blink. AmEx's response was, "Our card members have higher incomes than Visa and MasterCard members. They spend more. Do you want to focus on the 1% or do you want my customers? You need my customers because they are spending more."

Eventually, the Boston restaurants went back to accepting AmEx. Again, the moat stayed. This is a company that charges more. It has stayed in business, and recently, they increased the annual fee. Their annual fee is the highest now. It is \$895.

Interviewer: Yes, I know. Because I have one.

Mohnish: Do you know why you have one? Because you get value.

In the last few months, Warren said that they earned a return on equity of more than 30%. He said that there is no bank that earns that. A bank has to lend money to make money. These guys do not lend money. They have the brand, and the brand makes money. It is a phenomenal business. This notion of understanding the moat is complicated. You can get a benefit. Buffett made an investment in Apple because he had friends who had private jets, and they told him that they would give up the private jet before they gave up the iPhone.

Interviewer: That is a good statement.

Mohnish: You can see why they are saying that, right? Warren talked to his grandkids. They all had iPhones, of course, and they said, "There is no way we are going to go get an Android phone. What are you talking about?" So, he bought Apple because he understood that moat. Again, it is these finer things about these companies you need to understand. When you understand these finer things, then that gives you the edge, and the conviction to own that company for a long time.

Interviewer: We have been talking a lot about Warren Buffett. Is there another investor that you admire that you have looked to their portfolios or the way that they found their philosophy of investing?

Mohnish: Yes, there are. We all belong to the same church. There are a number of people who have done well with investing. I do not know if you

are familiar with a Chinese investor called Yongping Duan. Have you heard of him?

Interviewer: No.

Mohnish: He is the founder of OPPO and Vivo. They make good Android phones, and their market share is almost going toe-to-toe with Samsung. They have a huge global market share.

Interviewer: I have to ask, what kind of phone do you have?

Mohnish: Apple. I am an Apple kind of guy. Yongping Duan owns OPPO and Vivo, and has a big stock portfolio. His largest position is Apple, direct competition.

Interviewer: Interesting.

Mohnish: He is a friend of mine. Do you know what he told me? He said, "We can never replicate what Apple can do on the software side, the look and feel of the brand. The smartest thing for me to do is to own them." It has been a great investment for him. That is quite a remarkable thing for a person to buy a competitor. It is an exercise in humility.

There are many. Li Lu is a great investor. He was early into BYD, another great company.

The investing business is forgiving, like we saw with the Walmart example: 2%. At the end of the day, you need to hold one great business for a long time. It does not matter whether you were the founder of the business or you were an outside investor. The end result is the same. That is the key. If you look at the Forbes 400, every person on that Forbes 400 got there because of one business. That is the key; you let these great businesses sit in your portfolio and let them ride. They will become most of the portfolio, and that is fine.

Interviewer: Buffett and Munger became legendary investors, but there is another person that was once part of that same circle, Rick Guerin. His story turned out a bit differently. Why was that?

Mohnish: I used to play bridge with Rick. He passed away a few years back. He was a wonderful guy. The three of them used to invest together. Buffett told me this story. He said that he and Charlie always knew that they would become wealthy and they were not in a hurry. He said that Rick also knew that, but he was in a hurry. He was using leverage in his portfolio: margin loans. When that downturn in 1973 and 1974 came, he got margin calls, and Warren bought Rick's Berkshire shares at \$40 each. Those shares are today over \$700,000 each. Rick sold those at \$40 because he was forced to sell due to the leverage. Warren told us his story when we met him for lunch. He said that if you are even a slightly above-average investor and you spend less than you earn, you cannot help but get wealthy over a lifetime if you do not use leverage.

Rick became wealthy when I met him. He was driving a Ferrari and had multimillion-dollar homes. Rick was a wealthy man, but he had to come back again and rebuild it.

Interviewer: Related to our conversation about leverage, recently in Korea, there have been many headlines and stories of people putting money meant for weddings, businesses, and even retirement into volatile stocks and losing huge amounts. The market may be different, but it seems like people keep making the same mistake everywhere. For a novice retail investor like myself, what is the one line that I should never cross?

Mohnish: They are putting the money where?

Interviewer: They are putting the money into volatile stocks like SK Hynix. It seems like what you are saying from your previous answer is that leverage is your enemy.

Mohnish: Are they using leverage?

Interviewer: It was mostly leveraged ETFs.

Mohnish: Human nature does not change. Those of us who do not know our history are cursed to repeat it, unfortunately. It is the same story playing over and over. Only the cast of characters keeps changing. Leverage is dangerous. Chasing fads is dangerous. Doing what your neighbor is doing is dangerous. The natural course for humans is to follow what their neighbor is doing. Generally speaking, if you want to do well, you have to carve your own path. You have to carve your own path when it makes great sense.

When I went to Turkey, no one was interested in going to Turkey. Even now, no one is interested. It is a great place to visit, a great place to be, but no one is interested. To me, it does not matter whether people are interested or not. I am looking at what this business is worth, and I will do it based on that. Independence of thought is important. Not doing no work and following herd mentality; those are all negative. One should avoid all that.

Interviewer: You have been investing for the past 30-plus years. Is there something that you look back on and to this day you think it was a mistake? What do you think is a failure?

Mohnish: I have made so many mistakes. It is a forgiving business. But the biggest mistake I made was that I overdosed on Ben Graham, and underdosed on Charlie Munger. What I was always focused on doing until maybe 10 years ago was looking for things that were undervalued and selling them when they approached fair value.

A business like Walmart should not be sold when it approaches fair value. Great businesses are rare.

This simple lesson that great businesses are rare and should be held even if they appear overvalued took me more than 20 years to learn. I am hoping that your listeners save themselves the 20 years of anguish. As I said, old too soon, wise too late. It is okay. I would not want to trade the journey for anything else. That is the nature of it. We are going to have blind spots, and we are going to learn slowly. That is perfectly okay. Sometimes we may not learn at all. That is also okay.

When I look back, I used to own 1% of Ferrari. That 1% was bought for less than \$10 million. Probably even \$6 million. Ferrari is a business that should never be sold because recently they sold the first production run of their electric car for \$40 million. Car number one was sold for \$40 million. When they announce any model, they are all sold out in 10 minutes, at 80% margins. They announce a car model and say, "We are going to produce 500 cars of this model. They are for \$5 million each." Out of the \$5 million, \$4.2 million is profit for Ferrari, and in 10 minutes they are all sold. I was still under the spell of Ben Graham when I owned 1% of Ferrari for, let us say, \$10 million. Ferrari's market cap today is approaching \$100 billion. The 1% would be worth a billion. That is 100 times. How dumb is that? What is so special about understanding that Ferrari is a special company? It is an extremely special company.

The thing that is amazing about investing is that we do not need to do much. If we find ourselves in the happy position of owning 1% of Ferrari, we should go to sleep and do nothing. That is all we need to do. It is a great business. It has great ownership. It is an unusual brand. Ferrari used to produce 10,000 cars a year. Then China and Korea rose.

Rich men have few ways to express their wealth. Rich women have more ways, but rich men have few ways. One of the ways rich men express their wealth is with cars. I had bought a Ferrari because I used to own stock in the company. I went for 3 days to a Ferrari driving school in California. There were about 30 other Ferrari owners who had come for the driving school. We spent three days together, so when I would meet them, I would ask which model they had. Soon, I learned that was the wrong question. The right question was "How many do you have?" Because when I used to ask them, which model do you have, they would get confused and say they have 15 or all the models. Why does he have 15 or 30? Because where else can he spend his money? He can have a watch, he can have a tie, and he can have a Ferrari, and that is it. Nothing more.

Interviewer: So, Ferrari was your mistake?

Mohnish: There are many. But there are some painful ones, and Ferrari is a painful one.

Interviewer: Through the story, you have saved our viewers 10, 20 years of anguish, the years that you suffered.

Mohnish: Yes. The hallmarks of a great business are so obvious that when you own it, it should be obvious to you that yes, this is a great business. Once you understand that it is a great business, then life becomes easy.

Interviewer: Mohnish, thank you so much. This was so insightful.

Mohnish: Thank you.

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 is suitable for you and consider seeking advice from your own financial or investment adviser.
