

We recently had the distinct pleasure of recording a special kind of [Best Ideas 2018](#) session with noted value investor and philanthropist Mohnish Pabrai, managing partner of Pabrai Funds, CEO of Dhandho Funds, and author of [The Dhandho Investor](#) and [Mosaic](#). We are grateful to have Mohnish as an active member of — and mentor to — the MOI Global membership community.

Shai Dardashti, managing director of MOI Global, spoke with Mohnish about philanthropy, Dakshana Foundation, having lunch with Buffett, and more.

Here is how Mohnish describes his philanthropic focus (source: *Forbes*):

"I spend most of my energy running a medium-sized investment fund based in Irvine, Calif. My wife, Harina Kapoor, and I believe in recycling most of our estate back to society. The problems we wish we could solve have defied solutions for decades on end—billions of humans still do not have the fundamentals of adequate food, shelter, education, healthcare and a sustainable livelihood. So we're trying to make a meaningful dent by applying something we too rarely see elsewhere in the sprawling world of philanthropy: a laser-like focus and a business mindset. We've openly shared all the learning (and our mistakes) in running our foundation to hopefully be of some value to others who want to make a difference."

The following is an edited transcript of an interview and may contain errors. The transcript has been condensed for space, clarity, and readability.

Shai Dardashti, MOI Global: While our next instructor here at Best Ideas 2018 needs no introduction, I'd like to share a few words of background:

Mohnish Pabrai is the founder and managing partner of Pabrai Investment Funds, modeled after the original Buffett Partnership of the 1950s. Since inception in 1999 with \$1 million in assets under management, the Pabrai Funds has grown to over a half billion dollars of assets, largely based on market-beating performance.

Mohnish is also the founder and chairman of the Dakshana Foundation. The Dakshana Foundation is a philanthropic foundation focused on alleviating poverty. I'd like to briefly read an excerpt from Dakshana's website:

"Dakshana's founders and management have a few core aspects to their vision for Dakshana. These are: to be intensely and singularly focused on one or two causes; to focus on causes that do not have a natural funding constituency; to focus on causes that deliver the highest possible return on invested capital measured in terms of the improvement in quality of life; to be scalable; to be self-sustaining where the beneficiary of aid today is the donor of tomorrow."

In the coming decades, Warren Buffett's extraordinary success at Berkshire Hathaway will become a rounding error relative to the societal impact of his charitable giving, both financial and intellectual. So too, I think, will be the case with our next instructor that we

have joining us in a moment.

Mohnish Pabrai is a generous teacher and role model. Additionally, his work with the Dakshana Foundation is off the charts. A decade ago, when Mohnish started Dakshana, he estimated that by spending \$4,000 per student, his organization could boost each student's lifetime income by an average of \$158,000. What has transpired in the years since is remarkable and it's an honor to welcome Mohnish Pabrai to Best Ideas 2018.

Mohnish Pabrai, Dakshana Foundation: Thank you, Shai, for that generous introduction and a pleasure to be at Best Ideas 2018. I've always been a big fan of the work you and John do - it's wonderful.

It's always fun for me to talk about Dakshana. I'd just like to start by going back to the genesis of why there even is a Dakshana. It really goes back to the influence by Warren Buffett.

In reading and studying him, Buffett has highlighted that large inheritances given to our gene pool actually does them a disservice. It actually has a higher probability of negative impact than any positive impact. That resonated with me. Warren also said that if you're Jesse Owen's son you shouldn't be allowed to run 100-meter dashes starting at the 60-meter line when everyone else is at the starting blocks. He said it's okay to start at the 10-meter line, but not the 60-meter line. These were strong influences for me.

I realized that Warren also talked about how giving money away is far more difficult, especially giving it away effectively, than making it. So, what my wife had decided is that once our net worth went to north of \$50 million, we started giving away 2% a year of our net worth, and 2% of \$50 million would give us about a million dollars to give away, which is a decent sum to do some meaningful experimentation.

The idea was as the net worth grew - maybe to \$100 million, we'd make it 3%, and at \$150 million, we'd make it 4%- as the years went by and hopefully the net worth keeps rising, we keep bumping up the percentages. The idea was that by the time we got towards the end of our lives, we'd have compounded money at a good rate, which is fun, but also have built up a kind of an institution that could do some meaningful work and impact lives.

I was 42 years of age, or so, when Dakshana was originally conceived. It was pretty clear we were going to focus on education and we were also initially going to focus on India. It goes back to a quote, "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime." I didn't have much interest in giving away fish, both of us, my wife Harina and I, had a deep interest in teaching fishing because clearly the returns on investment are much better.

Given that we were going to be teaching fishing in India - while we were based here and given all the difficulties, corruption, and distance - I just assumed that we might spin our wheels for maybe at least ten years, which means we would have kept giving a million dollars or more a year and we wouldn't have seen any output. I viewed that as part of the tuition bill to learn how to do this properly.

When I started in my early 40s, the idea was that by the time I got to my early 50s, we would have sort of figured out how to actually make it work, and on a number of fronts we got extremely lucky. I remember in the fall of 2006 in Irvine, I was reading an article in Businessweek about a guy in Bihar in India, which is one of the most under-developed, backward states in India – very high population, very low quality of life. This guy in Bihar, Anand Kumar, was identifying thirty 18-year-olds per year who are really smart but very poor, then he took them under his wing for about eight or nine months. After eight or nine months, they took the IIT entrance exam. He had between 80% to 100% success rates in getting these kids into IIT.

The Indian Institutes of Technology, where there's about a dozen or more campuses now, is the toughest set of engineering schools to get into in the world. The admission criteria are very objective. It is simply based on a couple of tests. These are pretty intense tests on Physics, Chemistry, Mathematics and Logical Reasoning. About a million kids take this test every year with about 12,000 or so seats across all the different campuses, so the acceptance rate is just 1.2%, which is a fraction of the acceptance rate of places like Stanford or Harvard.

It's a very difficult exam. It requires a lot of prep. What Anand Kumar was doing is he was taking these kids in, providing free room and board, his mother would cook for them, and then he and a few other teachers would train these kids. Once you enter the IITs, it's difficult to get in, but once you enter the IITs, it's a very heavily subsidized set of institutes – so the cost of a four-year IIT engineering degree would be about \$7,000 or so, maybe around \$1,500 or \$1,700 a year. Even with that \$7,000, it's very easy to get either grants or bank loans especially if you have needs, so once you get in it's almost a 100% that you will be able to go through the degree program regardless of whether you even have a penny to your name.

Of course, once you go through the IITs, then you'd pretty much get connected to the global economy. Microsoft is recruiting from there, and Cisco, and Google, and IT grads are sought out the world over. Pretty much once you enter the IITs you become a great credit risk, first of all, and then, secondly, you have a wide range of employment choices in India and around the world. It's pretty much a very simple 'zero to hero' – if you can get in.

Now, of course, getting in is really hard. What was really surprising to me, when I read about Anand Kumar, was that he was – he's a teacher, he provides private tutoring to kids in the slums. Then, he was taking a small portion, or maybe a large portion, of what was left over from his paid teaching activities and he used that to fund this thirty-student program. He was spending about \$800 per kid over the eight or nine-month period.

When I read the article, and I saw the success rate, and I saw the \$800, I said, "Wow, if you if you spend \$800 and get a really poor kid into IIT, the ROI on that investment is off the charts," because the first thing that happens is that by spending the \$800, it unlocks something close to \$30,000 or \$40,000 subsidies by the Indian government to pay for the education. Then, subsequent to that, it opens up a wide range of career opportunity.

So, I contacted Anand. I was able to get his email address and I said, "I'm really excited

about the work you're doing and we'd be very excited to fund you and to see if we could scale your program." Anand was somewhat curt on the email, he said, "Thanks for the appreciation, but we don't take any donations or anything. All the best." I, again, nudged him after a few weeks and I got a similar response. Then, I said, "Let's go meet the guy in person." I told him, "I'm coming to Patna in Bihar in February of 2007. Would you be willing to meet with me and could I meet the kids?" Of course, he was very gracious and he said, "You're most welcome."

When I met him, I thought maybe I'd use my persona to convince him that scaling was in the best interest of humanity, but it was very clear he wasn't interested in changing anything about the way he was running things, or expanding things, or taking money from others. Then, I asked him if he would have any objections if I cloned his model. Obviously, in investing and, even before that, in my entrepreneur pursuits, I realized that cloning was a very powerful mental model. Of course, Anand said, "Oh, I would be very supportive if you want to scale this model and I'll try to provide you with all the help you want. I'm all for it, if you want to take this model and run with it."

So, that's what we decided to do. I said, "Okay, since I can't get him to do anything, why don't we just try to see if we can do it on our own?" But, of course, I'm a guy who goes to work in shorts in California and have absolutely no presence, or contacts, or anything in India, so I was trying to figure out how I'm going to make this happen.

One of the things that I was lucky about is that I've had a lot of experience in early stage businesses and start-ups. Starting a for-profit or non-profit, there isn't that much difference. What I did was that I contacted some of my friends in the US who were IIT grads. I said, "I'm looking for someone in India who could maybe be a consultant to me, and who can help me crystallize this model and get this thing going."

One of the one of my friends was from IIT Madras, he said, "There's an alumni message board. I can put a posting on the message board. Why don't you write up something?" and I did just that.

What ended up happening is that I got a number of responses and one of the responses was from an older, retired gentleman who was an IIT Madras grad in his 60s. He said, "Listen. Your project sounds interesting. I'm retired and I've got time available -" he lived in Bangalore - "Tell me what you'd like me to do and I'm willing to give this a try." I brought him on as a consultant where he would be paid something like \$100 for every day that he put in this effort. If it was a partial day, I worked out an hourly rate. And he didn't really care so much about that. He just said, "Sounds fair," and, "let's get going."

So, once we had a general understanding, I basically told him, "The one piece of the equation that we don't know, which is kind of a black box that I haven't yet cracked, is how do I find poor kids who are very bright and find them in some significant quantities?" Of course what Anand Kumar had been doing for so many years is he had built a brand and reputation, so every year when he announced his selection test for this batch of thirty, a few thousand kids would show up to take the test and then from that he'd pick his thirty. In our case, with Dakshana, we were unknown. We couldn't quite clone that and I was trying to

figure out how we'd go about doing that.

Ramesh started meeting people. I asked him to go meet the coaching institutes who provide IIT coaching for a fee and one thing led to another. There's a school system called [Jawahar Navodaya Vidyalaya](#) (JNV), which is a school system I never heard of and most Indians I would talk to had never heard of. It's quite a remarkable school system that was set up by Indian government. There are 600 of these schools. They're boarding schools. They're magnet schools. They're in every district, which is like a county, in every district in India. These schools are from 6th grade to 12th grade. The admission process is based on an IQ test, language-independent, in 5th grade. About 2 million kids annually take this IQ test and about 40,000 of them get admitted into the school, so it has about a 2% admit rate.

I saw the nature of these schools and that they were a magnet program, and that they were pooling kids from the absolute bottom of society, and that the Indian government was pretty much paying for everything, so it was a fully paid system. We went and spoke to the folk who ran the school system in Delhi and explained to them what we were trying to do, and they were receptive. One thing led to another.

We got a Memorandum of Understanding done and we said that from the 40,000 students in every grade, we would pick the top 4,000 based on test results and invite them to take the Dakshana selection test. From the Dakshana selection test, we would pick about 400 kids and we'd put them into maybe eight or nine schools around the country. Then, those 400 kids - we would prep for the IIT entrance exam for a couple of years. Of course, we were taking 400 kids out of an original pool of 2 million. With that level of filtering, obviously, we were going to have some really smart kids.

The negative in all of this is that these government schools do take in really smart kids, but, after that, the execution at the school level and at the teacher level can be hit or miss. We've sometimes noticed that the height of the kids is really short, which means there's not proper nutrition. We also noticed sometimes that the teachers, etc., aren't the best. The schools do take in great talent, but in the five or six years before we get to them, I think, large swaths of the talent does not get up to full potential. Even then, we are doing such heavy filtering once we took these 400 kids.

The first time we did this, we had a success rate of approximately 15% or 20% of these kids going to IIT. We had a lot of issues and problems with our coaching, but I always felt in businesses and in start-ups that you just want to make tomorrow better than today. Once we could identify the results, because the results are very precise and metric-driven, then we would also look at why we were getting the results that we were getting. Then, from that point on, all I cared about was blocking and tackling and improving the result.

Now, Dakshana, if you fast-forward ten years - we are taking in somewhere around about 1,100 kids per year and our success rates have gone up quite a bit. Last year, we were at 80%-85% of the kids going to IIT, and we've also expanded to training doctors as well as engineers, and even there the success rate is pretty similar.

What we also did a few years back is we bought a 109-acre campus of our own, so we ran

our program in the government school systems and we also ran the program on our own campus. We found the government, many times, were slow to task and slow to scale; now, with our own campus, we are able to scale up quite quickly.

One of the things about the non-profit world is that - in the for-profit world, when you're running a business, if you do not deliver value to your customers, what's going to happen is that the business is not going to produce a profit and eventually it's going to cease to exist. There's a feedback loop. There's a very tight feedback loop in the for-profit world which makes sure that the only businesses that have an enduring quality are ones that truly deliver for the customers, and have all the pieces set up so that they have great employees, and great customers, and great financials, and are able to make it all work.

In the non-profit world, we don't have this feedback loop. I've mentioned that once we cross \$50 million, we'd give away 2% - so as long as my net worth stays over \$50 million, I could keep giving the 2% regardless of outcomes, which is not the case in the for-profit world. In the non-profit world, the lack of a feedback loop is very problematic because it means that you cannot course correct. Every business does well because they listen to the feedback and they continuously course correct.

So, what I did is, using one of Charlie Munger's mental models of inversion, we made a decision that we would only focus on causes where there was a feedback loop. There are many, many causes in the non-profit world that are very worthwhile, but measurements are either difficult or impossible and there is just a sliver of causes where measurements are actually possible. The first thing we did is we said, "Well, if something cannot be measured, we're not going into that endeavor." Even though, on the surface, it might sound good or it sounds like we might be doing good, but because we can't get tangible measurements, we wouldn't be able to know whether we were doing a good job or what we need to do to improve.

What I liked about the Anand Kumar Super 30 model Dakshana we adopted is there were two metrics available every year. The first metric is how much money was spent on every scholar to get him or her trained for the IIT exam - that's a very precise number. The second metric is: what were the results? How many scholars took the test and how many were admitted to the IITs?

The thing about the second number, the acceptance rate, is that we have no control over that; we have control over how much we spend per scholar, but we have no control over outcomes, someone else does a scorecard on that. Therefore, it's not subject to corruption or management fudging things or any of that because it's not like my management team can tell me, "Oh, we did a great job this year" and kind of wave their hands. I only just look at the test results and the acceptance rates, and that tells me pretty much all I need to know.

The thing with Dakshana is that when we first started, we had a certain amount we were spending per scholar and the second metric was the conversion rate. Like I mentioned, in the first few years, we were spending around \$3,000-\$4,000 per scholar and the conversions were 15%-20%. It was very low. Now, we are spending around \$2,000 per scholar and the conversion rates are north of 80% and we'll see if we can reduce that \$2,000 further. Even if

that doesn't go down, if the acceptance rate stays up there, then the ROIs are really high.

The second thing that's happened is that, of course, in the last ten years, thankfully with the power of compounding, the net worth has gone up. Now, for my family, the annual giving is north of \$6 million a year when it used to be about \$1 million a year. We've also had some folks like Prem Watsa and Fairfax, who have committed to \$1 million dollars a year, and we've got a number of other donors, and also some of our kids who have graduated have also started contributing.

So, Dakshana is on a very robust financial footing at this point, which is great. We spent \$10 million on our campus and we've paid that off. Just last week I've made the last payment on that asset, which is great. One of the things about the model we have with training these kids for IIT and spending, let's say \$2,000 or \$2,500 per kid is that once we are doing something like 2,000 or 3,000 kids a year being trained - we're not there yet, but we'll get there - and once we are spending in the \$4 million or \$5 million a year range, the system may not be able to absorb more than that. We are now getting to the point where our resources, for the first time in 2017 and beyond, are thankfully exceeding what this program can absorb.

The first thing we're doing is we're taking about 1,100 kids a year and we're going to be working in the next three or four years to increase that to about 3,000 so that we max out the program. Then, we'll have to, again, go back to the drawing board and figure out what's the next program. Of course, we lucked out big time because the Dakshana program right now has very high ROIs and it's perfectly fine if we have to drop our bar, if you will, a little bit. I think the pieces that have worked well for Dakshana have been the measurements and metrics - they have been really important.

We have never, ever, hired a single person from the non-profit world. We have a fairly large team in India now. None of them have come from the non-profit world and that is by design. I think the non-profit world has a lot of bad habits because they're used to this continuous drip coming from some donor, whereas, most donors aren't so focused on the measurements, so that leads to a lot of inefficiencies. They almost run like government departments, if you will.

I never wanted that for Dakshana. We've always taken people who, basically, have no experience with that sort of a culture, so we never had to teach them to unlearn stuff. The team is really good. I've been very lucky we have a fantastic CEO, Colonel Ram Sharma, and he's brought a great team under him, so it has worked out vastly better than I would have thought in terms of when I started and where we are today.

Also, my life and my family's life would be far less interesting and far less exciting if there weren't the Dakshana Foundation. Some of the best days of the year for me are when I'm either visiting the scholar homes in the middle of nowhere in India or I'm meeting with the kids in the classrooms. Those experiences have just been priceless. They've just been amazing.

I think that I've been very lucky that all of these pieces came together. There was an Anand

Kumar, there was a Super 30, we found a great CEO, we found the government of India is willing to cooperate, and we focused on the metrics and worked on the improvement, so all the pieces came together really well. We'll see what lies in store in the decades ahead, but it's a fun journey. With that, go ahead, Shai, with how you'd like to take this conversation further.

Shai Dardashti: I understand that, together with Guy Spier, you enjoyed a private lunch, and conversation, with Warren Buffett. I'd love to learn how the experience impacted your thoughts on charity.

Mohnish Pabrai: The objective I had in bidding for the Buffett lunch was simply to thank him. I didn't really have any other expectation. At the time, in 2007, when we were bidding for the lunch, most of my net worth had been generated because of Warren Buffett's intellectual property, if you will, which he's freely shared with the planet. I just felt that I owed him a huge debt. He was willing to take a bribe and sit down for a meal. He was living when I was living, so I said, "You know, why don't we pay the bribe, which was going to a good place, and see if we can win the lunch?" I just wanted to be able to look him in the eye and just thank him from the bottom of my heart. That was the primary driver for the lunch.

Of course, what I learned at the lunch, and subsequently, is that Warren is very focused on making sure that the folks who win these lunch auctions - he realizes that it's a big deal for the people who win these auctions and for many of them the amounts are large as well - he wants to make sure that at the end of the lunch, they feel like they got a bargain. He tries really hard to deliver an incredible amount of value. For example, when he showed up at our lunch - I went with my wife and kids, and Guy Spier came with his wife Lory - the first thing Warren said to us was, "I've got nothing going on all afternoon. When you guys get sick and tired of me, just let me know and I'll leave, but I don't have specific schedule or particular time." Basically, what Warren was saying was there was no time limit on the lunch.

The second thing that would happen is that whenever I, or someone else, would ask a question, he always tried to convert these questions, even though sometimes they were innocuous questions, into learning opportunities. The thing about Warren and Charlie is that they have been very open and almost everything about them is in the public domain. If you want to learn what Warren Buffett has to teach or what Charlie Munger has to teach, you don't need to meet them, or have lunches with them, or any of that. Read the biographies, the Berkshire letters, Poor Charlie's Almanack, and the transcripts of the annual meetings, and you will learn an incredible amount.

But, what the lunch did for me is it helped me calibrate some of the things that were really important to Warren. We know he cares about a whole bunch of different things, but it helped me calibrate what aspects were more important than others. Before he came to the lunch, I had sent him the first Dakshana annual report. We just published our first report, in 2007. He had read every word of that report and he was, from memory, quoting things from certain pages. He'd say, "Oh, yeah. You had this and that, and all of that," which was very surprising for me because I had no idea what was on page 7, but he did. Subsequent to that, I sent Warren the annual report for Dakshana every year and he - I think, most years - finds the time to read it and sometimes writes notes back.

Again, what the lunch did is it helped me calibrate what were the things that were really important to Warren. One of the most important mental models for Warren Buffett is the mental model of an inner scorecard. This is covered in Alice Schroeder's biography. You can live your life with an outer scorecard, which is the way the world sees you, or the inner scorecard, which is how you measure yourself based on internal yardsticks, not external yardsticks. That is very fundamental to who Warren Buffett is - he uses internal yardsticks. He also does not care about whether a particular action he's taking is acceptable to society or not. He makes a decision on acceptability based on an inner scorecard. These are things I could read about in Alice's book, but I think in the interaction, it became very clear that that was important.

We spent quite a bit of time talking about philanthropy, and giving back, and all of that. A lot of great talks that he shared on that front, but I would again stress that for a careful study of Warren and Charlie, you're not going to be missing much whether you get to sit down for a meal or not.

Shai Dardashti: What would you suggest are appropriate next steps for someone curious to learn more about Dakshana, or perhaps inspired to get involved?

Mohnish Pabrai: We have a [website](#). Please feel free to browse the website. There is a lot of data on it. We have profiles on a lot of our scholars on it. The other thing is we have all our annual reports on the website. Warren has told me that the Dakshana annual reports are the best annual report he's ever seen from a non-profit, which made me feel really good when he mentioned that. Of course, one of the reasons he probably feels that way is because I took a lot of cues from the Berkshire annual reports. We don't have pictures in our annual report, it's a black and white report, and it's a letter from me to the constituents of Dakshana, and we spent a lot of time on the metrics. I think he probably appreciates that.

The other thing that, which is also something I learned from Warren, is that if you've got bad news and good news, put the bad news upfront. One of the things, which is a part of the Berkshire culture, is that Warren always brings out the bad news first because if you bring out the bad news first, you have a good chance to learn from it and improve yourself. If you sweep stuff under the rug, you yourself never learn from it. What I always try to do at Dakshana is that we've made a zillion mistakes, and we'll continue making mistakes. We've spent a lot of time highlighting those mistakes in the annual reports just to show you how dumb we are. I think if people are interested, I think the annual reports are a good place to go.

There are a few different ways to get involved. It's easier if you're in India, if you want to give time. We've got a number of things we can do. We've had people serve as mentors and different things, and now our alumni do a lot of that. Certainly, you could become a supporter with financial contributions - it's another way to get involved. But, I think that, like I said, to me the best thing would be if people just studied the Dakshana model, and then, whether or not they support us, but if it has some impact on their thinking on the subject, then I think that's all I can hope for. I think that would be a wonderful outcome.

Shai Dardashti: On the question of "trust, but verify" - trying to get a firsthand due

diligence perspective, where should one begin and how should one proceed?

Mohnish Pabrai: I think at Dakshana, it's an open book. It's easy to meet the kids, it's easy to talk to them, it's easy to meet the alumni, because they're now on their own, and get perspectives from them. I think, clearly, you can get a lot of data from us on our website, but I think you could also kick the tires by meeting the alumni. I think we have a number of alumni now who are in the U.S. They're working for places like Microsoft and Google and some of them are going to grad school, they're doing PhDs.

Now, our alumni are all over the world, so it's relatively easy, no matter what your geography is, to actually even have phone conversations with some of these folk and we encourage that. In fact, I always try to get data from the alumni on how we can do better or what was the problem when you went to the program and that sort of thing.

Shai Dardashti: Are on-location site visits welcome, and if so, how should visits be coordinated?

Mohnish Pabrai: We welcome that. Obviously, they need to coordinate because the kids are on an intense program for two years, but they like the diversion from taking a few hours off from their intense studies. Prem Watsa has visited a couple of times with his family and we've had a number of other kind of luminaries interact with the scholars.

There are a number of ways to interact with the scholars. One is to visit one of the eight locations where we run our program - that's one way to do it. The other way is to visit the IITs where we have our alumni or the NITs (the National Institute of Technology). Our alumni are in all these institutes and these are in places like Mumbai, Delhi, and Chennai. Another way to interact is to interact with them when they enter the workforce. We've got folk in Michigan, California, and New York, and, of course, all over the place in India, and Singapore. There are a number of different ways the interactions can take place.

One of my favorite ways to interact is to visit the scholars' homes. Those are more complicated because these are in very remote geographies and it takes a lot of coordination to make it happen, but I've done a number of trips. Usually, I try to do one trip a year where I focus on meeting scholars in their homes. I've been a little busy in the last two, three years - so that hasn't been as much of a priority, but I'm hoping to get back into it. Those have been some of the best trips and the best days that I've spent. I think that's when we truly can see the impact of the program, when we go deep into some of these villages in India and we are actually able to see how the families are living - in many circumstances it's very desolate conditions - and how quickly that gets reset.

Shai Dardashti: As a final question, what you would suggest are the right ten-year goals, both from your side and for anyone who is a contributor?

Mohnish Pabrai: Our end, one of the things we want to do is to make sure that we have a high input-output ratio. If we are spending \$2,000 or \$3,000 per scholar and we are getting these 70%, 80% type outcomes - because even the other 20%, 30% go to very good schools, that engine is working. Obviously, another piece is to make sure that we're picking up the

right demographic where they wouldn't have an option if we weren't in the picture. Those are things that matter, that we are focused on.

But, if I look ten years out, it's a bit scary because - we'll see how the compounding goes. The good news with compounding is that the numbers start becoming large and as the numbers start being large, you just need to put more infrastructure and you need to be willing to take lower returns as you scale up. Those are all good problems to get to, when we get to those. I think that we may get to those types of scenarios in the next two or three years.

But, if I go ten years forward — just simple math: Let's say I assume 15% increase in net worth every year, for example. It means we have two doublings -it may be faster than that because I get fees on other people's money. The \$160+ million would get to something like \$650 million or \$640 million in ten years. Then, if we are, at that point, giving away 5% or 6%, that's north of \$30 million. As I think about it today, I don't know how we would spend even \$4 million or \$5 million, let alone \$30 million, so we'll have to, in the next few years, figure that out.

One of the things about the difference in the for-profit and non-profit world is that in the non-profit world, one should be very willing to swing for the fences and one should be very willing to take big losses. If you want to change human trajectory, you have to go high-risk, high-returns. Whereas, in value investing, we try to go low-risk, high-returns. If we have those types of resources at our disposal, a \$30 million a year budget or something similar, Dakshana will be very willing to swing for the fences knowing we might miss a lot, but we will definitely have some hits.

To some extent even people like the Gates Foundation do the same thing, where they're trying to make significant trajectory changes with vaccines. So, we'll be looking for a kind of fulcrum-type thing: "Where can I get the most leverage and is it hard?" If it's hard, that's fine. In fact, the harder the better. What we're really interested in is: "Can I get huge bang for the buck and can we scale this?"

I hope, ten years from now, we do more than the 15%. I hope ten years from now Dakshana has, let's say, a \$100 million annual budget. I don't know if that will happen or not, but I hope that happens. I hope we're swinging hard at the fences, we may be missing a lot but we'll also hit sometimes.

Shai Dardashti: Mohnish, thank you so much for sharing your time with us and engaging in such a wonderfully candid conversation together. I hope Best Ideas 2018 participants will take the time to visit <http://www.dakshana.org> and learn more. Mohnish, it's an honor to have you here.

Mohnish Pabrai: Always a pleasure, Shai. Thank you.