

Mohnish Pabrai: Eternal Cloner

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In 2008, investor and author, American Mohnish Pabrai of Indian descent and a colleague paid \$650,100 to a charity to win a lunch with Warren Buffett. Mohnish, a portfolio manager with assets under management of more than \$500 million who went into business with \$70,000 borrowed on his credit cards, fascinates the world of finance for his humility ... and his propensity to beat the S & P 500. Our correspondent met with him in California.

IRVINE, Calif. - On the walls of his office in Irvine, south of Los Angeles, Mohnish Pabrai hangs annual reports of companies, framed and placed into three distinct sections.

Near the entrance are the "winners", investments that have made five or ten times or more. Near the workstations are the "ok" investments, which achieved good results, but did less well than expected.

In the kitchen, near the fridge, is the "wall of shame".

"When I'm going to get a coffee, I am face to face with my worst mistakes, said Mohnish Pabrai, with a wide smile. It is difficult to develop an ego when you each day you see your most stupid decisions.

It is not a coincidence that Mohnish Pabrai likes to deflate his ego. His mentors, Warren Buffett and Charlie Munger, have been doing the same for decades.

But Mohnish Pabrai pushes the exercise even further - he says he has "no original idea," and notes that the structure of the company, Pabrai Investment Funds, is a clone of Berkshire Hathaway.

To date, Mr. Pabrai manages more than \$500 million, and is known in the circles of American investors for his outspokenness and for his results that beat indices, year after year.

"I rarely have new ideas, he told La Presse. I am always cloning, and I've never understood why more people don't do the same. "

Mohnish Pabrai did not always know he wanted to become an investor. In 1991, while working for the telecom box Tellabs, Pabrai decided to launch an internet business called TransTech, which he notably financed with \$70,000 borrowed on his credit cards. "My business partners were Visa and MasterCard," he laughs.

Nine years later, Mr. Pabrai sold TransTech for \$20 million. He launched Pabrai Investment Funds, and currently has over 400 investors, mostly entrepreneurs.

Like his mentor, Warren Buffett, Mohnish Pabrai likes to have an empty schedule. He almost never has meetings. He usually leaves his office by 2pm.

Pabrai makes all investment decisions himself.

"People complicate things, he says, and don't see what is in front of their nose."

Pabrai wants to be up front about his investments - in his annual letters, he begins by talking about investments that have performed poorly. This is something that almost nobody does, except Berkshire Hathaway, he says.

"It is a good business decision to tell the truth. When you lie to someone, maybe he does not realize it, but his subconscious knows. The unadorned truth is something very exciting. "

In 2008, during the crash, the portfolio of Pabrai Funds fell 67%. There was no exodus from his investors.

M. Pabrai manages more than \$500 million and is known in the American investor community for being outspoken, and known for his annual results that beat the indices year after year.

"A few years later, my wife saw my letter to investors of 2008, and was startled when she saw a drop of 67%. She said: "It's funny but I did not notice any change in your mood in 2008. You did not look different." From time to time, the market suffers a major correction. There is nothing we can do, so why panic? "

During his lunch with Buffett in 2008, he and his colleague Guy Spier had the opportunity to thank the Oracle of Omaha for his inspiration. "What strikes us about Buffett is how he gets everything very quickly. He is a learning machine. He never stops reading, this is one of the keys to his success. "

Mr. Pabrai avoids borrowing for his investments, and focuses on companies that have a long term competitive advantage, and are preferably under valued by the market. In short, opportunities that are cheap and low-risk, but can pay big dividends. This is a philosophy that he explains in his book, The Dhandho Investor.

These days, Mohnish Pabai is looking for new ideas on how to invest the cash that sits in his funds. It already has significant positions in Citi, Bank of America, GM and the natural gas producer Chesapeake Energy.

"We were all taught that, to make successful investments, one must take ever greater risks. However, if an investor can make a bet with virtually no risk, with exponential results, and continue to do it again and again, the results are striking. "

These opportunities exist, he says, but do not occur often.

"I very rarely have an original idea. I am an eternal cloner, and I never understood why there aren't more people doing the same as me. "

"It's been 10 months since I last had a new investment idea. You have to be patient. In investing, unlike in baseball, there is no strike. We have all the time in the world to identify the perfect opportunity before deciding to pounce. "

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Sidebar : Buffett clone: a winning strategy untapped

Investors who are not willing to spend their days reading annual reports and analyst reports may well get away with cloning Warren Buffet's decisions believes Mohnish Pabrai. "For three decades, if you bought the same companies as Warren Buffett on the last day of the month that he bought and when information was made public, and if you had sold on the last day of the month that we learned that Buffett sold, you would have beaten the S & P 500 by more than 11.5% annually. This is without having any original ideas. But nobody does this. It's incomprehensible. " says Pabrai.

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Sidebar : Three quotes from Mohnish Pabrai

"I have nothing new to share. All I'll do is give you old ideas that come from others. "

"We like to keep cash, that way we do not miss the chance to enter a long-term opportunity."

"Unlike neurosurgery, in the world of investments, you can make mistakes 40% of the time and still do brilliantly."

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Sidebar : Mohnish Pabrai's Primary Holdings :

Bank of America  
Chesapeake Energy Corp.  
Citigroup Inc.  
Horsehead Holding Corporation  
General Motors Co.  
Goldman Sachs Group Inc.