

## An Evening With Charlie Munger



Mohnish Pabrai & Charlie Munger



Harina Kapoor & Charlie Munger

Hi Sanjeev:

Feel free to post the two attached pictures as well as this email on your board. They were taken today at the Huntington Library in San Marino, California. The lady with Munger is my wife, Harina Kapoor.

I belong to a group called Young Presidents' Organization ([www.ypo.org](http://www.ypo.org)). Its about 9000 CEOs worldwide in various chapters. Most of the initial investors in Pabrai Funds were YPO'ers - it was a YPO'er who kept persistently after me to start it and became the largest initial investor. I've been a member since 1997 and it has been a huge life-altering experience. Some other notable current and former YPO'ers include Rich Santulli, Irv Blumkin, Ron Blumkin, Prem Watsa, Peter Kaufman etc. It is the ultimate business network.

Well, a former YPO'er and close buddy of Charlie, Mr. Irwin, convinced him to speak to a group of current and former YPO'ers today at the Huntington Library. It was a wonderful event. Charlie got there a few minutes early as did Harina and myself. It was quite a treat and honor for Harina and me to sit and chat with Charlie for about 15-20 minutes. Diet Coke in hand, he was very laid back.

We spoke about a number of subjects and the answers were enlightening. Here's a quick synopsis of the private session with Charlie:

1. I told Charlie that it was very likely that Buffett's stake in Berkshire was likely to be worth well over \$100 Billion when he passed on and that would mean dishing out \$5 Billion+ a year. Currently the problem, including Susan's estate is under \$150 Million a year. So it would be a huge step function. How could Mr. Buffett ensure that it would be given away effectively when the numbers are so large?

Charlie said that Warren would likely get Gates involved and probably eventually have Gates take care/be heavily involved in overseeing the scaled infrastructure of the Buffett Foundation.

2. I asked Charlie if he would still promote buy and hold forever notion (see page 65 of his book) if he were running a small pool of capital. He said that he'd do it like he did when he ran his partnership - buy at a discount; sell at full price and then go back. With their present situation he said that it makes no sense to do that.

3. He spoke at length in glowing terms about Peter Kaufman. Said he was a YPO'er until recently (you're thrown out at 50). He said Peter built an absolutely fabulous business that no one has heard of - Glenayre in Glendale, CA. He said that Peter had his business running very well with minimal need to be there and hence has time for projects like the book etc. Peter put \$750,000 of his own \$\$\$ into the book project as "a very effective charitable giving" venture. When Charlie tried to dissuade him, Peter said that he was confident he'd make the \$750K back and would give excess proceeds to Huntington.

4. He chatted a bit about Welch's new book and that he liked it.

5. Charlie started laughing when I asked him about his thoughts on the picture in the book that has the caption "Invert. Always Invert!". The picture is of Kaufman doing a handstand.

As an aside, Charlie designed the building and Harina & I loved the architecture. Clean, inviting and very impressive. Its a beautiful setting on 200 acres. Well worth visiting.

During the talk, much was similar to the BRK and Wesco meetings. Unfortunately, I got so engrossed that I took no notes. What stood out for me was:

1. Events in the next 50-60 years will be far worse than anything we've seen in the 20th century.

2. He recently traveled coach from Seattle and had a middle seat. (I guess he prefers to conserve the \$5000/hour quota on Netjets). Talked about how this 20 year old Chinese girl sitting next to him was fully engrossed in doing complex math related to some quantum mechanics stuff and how Asians are going to take over big time - he was in favor of it even at the expense of future generations of Mungers.

(The girl probably had no clue that she had three full hours available with Charlie. LOL)

3. The recent utility acquisition would not be very good or very bad for Berkshire. Decent return on capital, but not like the old days.

5. He was asked if he considered Clayton a mouth watering acquisition. He said no. Said it was good, but he would not use those words. Said that with a cost of \$35/sq ft they'll take over more and more of the low-end of site built homes over the decades.

6. He said Gen Re was a very very good buy despite all the issues. Said that some bad stuff went on there. The people responsible are gone and it is fixed. Said that he expected they'd pay some fine and move on.

7. Again mentioned that risk of a derivatives linked meltdown possibilities were fairly high. Said that the dual deficits, huge consumer borrowing, huge mortgage borrowing, all the hedge fund leverage and derivatives etc. created a system that's very vulnerable.

8. Said that their cash position was not based on expecting a meltdown. They were happy to put it to work at more modest return investments if they could find them.

9. Said he loved Huntington Library as does his wife and hence the idiosyncratic gift.

10. Said he asked Bill Gates what school is his #1 choice for recruiting. Gates said it was the IITs in India and that his next choice would be a very distant second.

Charlie offered to stay there and answer questions for as long as anyone had them! If I were the organizer, I'd have canned the cocktail hour and either skipped or delayed dinner, but like the UCSB speech, they said they were out of time...

Sanjeev, feel free to edit as you see fit.

Warm Regards,

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