PABRAI WAGONS FUND - Q2'2025 INVESTOR MEETING
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OPENING REMARKS

MOHNISH PABRAI

Good afternoon, and welcome to the Pabrai Wagons Fund shareholder call. Before I begin, Aidan Townsend, our Manager of Investor Relations, has a few disclosures that he needs to share with all of you.

AIDAN TOWNSEND

Thank you, Mohnish. Good afternoon, and welcome again to the Pabrai Wagons Fund investor call. We are glad you could join us. Before we begin, let us start with the usual disclosures. Mutual fund investing involves risk, including the potential loss of principal. The fund is non-diversified, meaning it may focus its assets in fewer individual holdings than a diversified fund. Therefore, the fund is more exposed to individual stock volatility than a diversified fund. The fund may invest in small and medium capitalization companies, which involve additional risks such as limited liquidity and greater volatility than larger capitalization companies. The fund is new with limited operating history, and there can be no assurance that the fund will grow to or maintain an economically viable size. Past performance does not guarantee future results. Opinions expressed or subject to change are not intended to be a forecast of future events, a guarantee of future results, nor investment advice. Fund holdings and allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Now, I would like to hand the call back over to our Portfolio Manager, Mohnish Pabrai.

MOHNISH PABRAI

Thank you, Aidan. Good afternoon to all of you again. We received quite a large number of questions ahead of this call. I have to say that I was very impressed with the quality and the depth of the questions. We have a very wonderful set of investors in the Wagons Fund, and they have an excellent understanding of some of our holdings, strategies, and markets. That is wonderful. I decided I would segment the questions into two different parts. There is a set of questions specifically related to portfolio positions, and then there is a more general fund question.

What I will do is, I will try to select questions which I think have the broadest appeal, and I will start with the individual names that people have questions about. I am going to try to go from largest to smallest. Meanwhile, the Q&A window is open, and you can enter any additional questions you have over there. I am not sure how many I will be able to get to because we have received in advance, as well as on the list. But I will try to plow through as many as I can.

QUESTION

Our largest position in the fund is Edelweiss, and I am going to start with that. One of the questions is "Edelweiss, your top holding in the fund, has delayed its IPO of EAAA to late 26. In fact, they have delayed it to April 26. Concern is not the delay, but rather that the upcoming subsidiary IPOs are not demergers, but stake sales, unlike Nuvama, which was a demerger, and a lot of money was made. Where is the value proposition in this stake sale?"

MOHNISH PABRAI

Because Edelweiss will become a holding company with a whole core discount, and investors will not get shares in the other businesses, so that is a good question, somewhat detailed. If we go back to the history of Nuvama, going back about four years, when it was called Edelweiss Wealth Management, at that time, Edelweiss owned 80% of Edelweiss Wealth Management, and they did a sale of approximately 40%, about half their stake.

They took their stake from 80% to about 39%, and later had the option to raise it to 44%, which they did. PAG in Singapore came in and bought the stake from them and also bought out other minority investors. At that time, I am just going off memory, Edelweiss received somewhere between 250 to $300 million for that stake sale. Then, when the IPO took place, at which point Edelweiss owned 44% of what became Nuvama, they spun off 30% of the company to Edelweiss shareholders, and they retained 14%, which they subsequently sold off gradually. In that case, there was a spinoff in which the shareholders participated.

The story, with EAAA, in my opinion, is even better. It is significantly better than Nuvama. Currently, Edelweiss owns 100% of EAAA, whereas they used to own 80% of Nuvama, and they have not sold any stake to anyone. They plan to sell 15% of the company in the IPO. It is expected that the market cap may be somewhere between a billion to a billion and a half, maybe even 2 billion by then, because we have a delay. Let us say, between one and 2 billion market cap EAAA goes public, they sell a 15% stake. They will collect 150 to 300 million on their balance sheet. I believe that after that, what Edelweiss is going to do is similar to what they did with Nuvama. They will spin off, first of all. They will be left at 85%, and I do not know what percentage they will spin off. They might spin off 40, 50, or 60% of the company to investors after the IPO, similar to Nuvama. Then the holding company may retain some stake that they may also sell over time, or they may keep some of it. I am not sure, but I do expect that, as shareholders, we will receive the spun-out shares. One of the things to keep in mind about Edelweiss is that, like EAAA, we will probably have four to six spinoffs come out in the next four to six years. I would expect each one of them to have a billion or more in market cap. I would expect each one of them to be spun off to shareholders. I do not know what percentage and all that, but I would say a healthy percentage should come to shareholders. But one thing to keep in mind is that in 2021, Edelweiss had a market cap which is very similar to what it has today. Its market cap was under a billion dollars.

After they sold the stake, they had 44% of Nuvama in 2021. Today, Nuvama has approximately $3 billion market cap. There was effectively at that point, a future value of 1.2 billion just in Nuvama, embedded in the stock with a market cap under a billion. We have a very similar situation today, where Edelweiss' market cap is maybe 1.1 or 1.2 billion. The EAAA stake alone exceeds the entire market cap, with no value given to all these other businesses that are growing quite spectacularly. That is the reason it is our largest bet. It is the highest conviction bet. One of the things I just want to emphasize to everyone is that, as you hear me talk about these companies in the portfolio, in general, you are going to hear positive commentary. But I also know that when I look at the entire portfolio, some of the names are not going to do what we expect them to do. In fact, if 50% flat line or do not do much, I would consider that par for the course. If 50% do not do what they are expected to do, we would have a home run in terms of results. Of course, if we had 60 or 70% performance, then it would be beyond that. Please keep in mind that all of these things, because we are talking about equity investments, can play out in ways that can be quite negative. Even though we have a high conviction in Edelweiss, nothing is for sure; nothing is 100%. That is how I look at Edelweiss. It is a situation where you kind of set it and forget it. We need to be patient. We need to keep our stake, and our objective would be that if we can, we would like to retain the EAAA state. I like that business a lot. When the other businesses come out, we will evaluate them. Many of them are wonderful businesses with a lot of tailwinds, so we are likely to retain many of them in the portfolio after the spinoff. Let us move to our next highest conviction idea, which is TAV Airports.

QUESTION

The next question is “net cash from operating activities dropped from 24 to 25. How should we interpret this?”

MOHNISH PABRAI

One cannot look at TAV as a single business. There are more than a dozen businesses inside a holding company structure. To understand TAV, one really has to peel the onion on individual businesses. Just looking at the overall financials rolled up, especially with all the inflation accounting that I still do not understand. In Turkey, it is a fool’s errand. You can almost draw no conclusions from it. I would just say that TAV currently has a market cap of approximately 2.4 billion. We just met with a number of business units in TAV last week in Istanbul, Ankara, and other places. We visited some airports that they operate.

We had a significant deep dive on TAV, which we do every year. We visited a number of their properties and met with a number of their leaders. But if you look at just one of their assets, which is Almaty Airport, that airport is likely to be produced in about four or five years, something like 150 to 200 million a year in free cash flow. If I go out about a decade, it could be twice that, 300 to 400 million a year in cash flow. Almaty is a very unique asset because it is owned outright. Only about four or 5% of airports around the world are privately operated, but almost all of them are BOT models, build, operate, transfer. That means you get a concession for 10, 20, 30 years, and you run it, and then the asset goes back to the government. But Almaty is owned outright by TAV forever. These are extremely rare.

Heathrow is another example of an airport that is owned outright. There is a handful of airports around the world that are like that. If you take an asset like Almaty, and if it were ever put on the market, let us say in 2035, I expect Almaty to have a bidding frenzy if they ever decided to do that. I would expect it would go for well north of 10 billion, maybe even 15 billion. The market cap of TAV is 2.4. Almaty is just one of the assets. Havas, their ground handling company, is likely valued in the multi-billion range. Even some of their smaller divisions, like TAV Technologies, are growing so quickly that in four or five years they could also be worth over a billion. They have a number of different airports.

Ankara is truly a crown jewel airport. With TAV, our perspective is that they have amazing properties. By next year, we expect them to become a strong dividend player. The French company "Aeroports de Paris," which owns 46% would like TAV to distribute half or more of its earnings. By next year, their leverage should decline to a level where that will make it possible. Starting in 2026, we should be seeing some very strong dividends coming out of TAV. We have no idea what deals they will do in the future, but they have a lot of demographic tailwinds with the passenger traffic numbers going up in almost all their geographies. TAV is one where we just want to sit and do nothing. It is a good team and we want to leave it there.

QUESTION

Next, I will move to metallurgical coal. The question is, "You have said before that AMR and Warrior are among the lowest-cost producers of metallurgical coal globally. However, based on publicly available data, it is difficult to reach the same conclusion. What quartiles do Alpha and Warrior fall into on the Global Met Coal Cost Curve, including domestic China?"

MOHNISH PABRAI

That is a great question, and clearly from someone who understands the met coal space extremely well. When we talk about Met Coal Cost Curves, we need to limit ourselves to the seaborne met coal market. The seaborne met coal market has standardized grades like the Australian PLV, which is the benchmark price (FOB Queensland) that many other met-coal get priced off. On the other hand, domestic China, which is not seaborne, often involves lower-grade metallurgical coal. Comparing the two is apples and oranges. It does not correlate with the things in our portfolio. That is a different animal altogether.

But when we talk about the seaborne high-grade metallurgical coal, Warrior clearly falls in the lowest first quartile, the lowest quartile on the Cost Curve. Alpha, by comparison, is higher than Warrior because they are doing room-and-pillar mining rather than longwall. That said, in the most recent quarter, Alpha reported a significant drop in costs. We were honestly stunned. They lowered the costs quite a bit, and it looks sustainable. They put everything under a microscope to drive those efficiencies. Still, Warrior maintains a cost advantage. They have a huge advantage in transport as well, because they are closer to the port and they have the ability to ship by barge, which gives the railroads much less flexibility and power on rates.

Alpha is much more at the mercy of the railroads, and something like 25% of the selling price of the coal, up to a certain point, goes to the railroads. Effectively, railroads are collecting a toll on that, which makes it a very strong business for them. With Alpha, we were expecting, with the extremely low index prices in the second quarter, that it would have a significant cash burn, and they had almost no cash burn, which was stunning from our point of view. Their cash reserves are almost two times the level that they want to be at. We like both of those bets. It is a demand story rather than a supply story. We need the world to get a little bit more back on track. The tariffs are not helping in that regard, but we do not know how things will play out.

If the Ukraine war ends and we get a few other things that lead to a lot of activity and construction, then we can have some strong tailwinds on the demand side. Meanwhile, we like these bets, and probably in the next two or three years, we should see some good returns from them. Let me see if any other questions are of more global interest.
The Norfolk Southern-Union Pacific merger has almost no impact on them because their shipping is very regional in nature. I do not think it is going to have any heavy impact on them. For Warrior, river barge shipping is currently not much of an issue, and in fact, for the most part, they use it as a leverage against railroads, and it works. They do need water levels to be reasonable, but in general, there is also less congestion in Alabama, which helps keep their costs lower from that point of view as well.

QUESTION

There is a question, "Do you have a subscription to Matt Water's Cold Trade on Substack? If so, do you use it for decisions or rely on your own analysis?"

MOHNISH PABRAI

Well, we met with Matt, subscribed to his Substack, and do read it. I do not know whether we have acted on any information on it, but he gets a lot of good data globally, and we like to keep up with that through them.

QUESTION

I will move to Reysas even though it is a little smaller than our offshore drillers. There is a question, "From your podcast, you mentioned not planning to own over 33% of Reysas across funds, including Wagons. Do you collectively exceed one-third? If so, what is the impact on the Wagons Fund?"

MOHNISH PABRAI

Legally, we have no restrictions on how many Reysas we can own. Turkey allows foreign investors to come in and own as much of a listed company as they would like, so there is no legal restriction. We sensed with the body language that the founders had possibly some discomfort with the very large size of our position, so we told them (when Reysas Logistics was a little under 33% for us), that we would not increase it, and that is voluntary on our part. We do not want the managers and owners of the businesses we invest in to have any discomfort with us. We wanted to give them some comfort that we are passive and such. Because we were at that ownership level, when Wagons Fund got going, it really had no Reysas stake because we were kind of limited. The Pabrai Funds had to sell some of its Reysas stake to meet redemptions. It was going to reduce its stake, and that created the room for Wagons to buy. There are two Reysas listed entities: Reysas Logistics, where we are at a little under 33%, and Reysas REIT, where I do not think the managers care how much we own because 62% of that is owned by Reysas Logistics, so they have got control of that asset thoroughly. We have been increasing our stake in Reysas REIT. Once we had reduced our stake in Reysas Logistics, we could take a position in both of them in the Wagons Fund. Wagons Fund has an interest in both Reysas REIT and Reysas Logistics. They are both significantly undervalued, very good capital allocators. That intrinsic value will rise over time, and hopefully, the gap will narrow between intrinsic value and market value.

QUESTION

Going to our Offshore Oil Services, we have three bets in that space: Valaris, Noble, and Tide Water. There is a question: "If Valaris' replacement cost is 25 billion while the market cap is 3 billion, why not size the position larger?"

MOHNISH PABRAI

Well, we have to remember that replacement cost is a data point that sometimes may not be the important data point. For example, if I look at the Class One US railroads, Union Pacific or Burlington Northern Santa Fe, replacing those assets is almost an infinite amount of dollars. In fact, they cannot be replaced. You are not going to get port access to Long Beach or LA, or some of the other major ports. A new transcontinental rail in the US, if it were to be built, would cost some ridiculous amount of money. Many multiples of the market cap of these companies. But that does not mean that those railroads are going to trade at any value of those replacement cost values. In the end, the real way all businesses get valued is the cash they are going to produce from now till judgment day and then discounting it back. That is the way Valaris is going to be valued eventually. The fact that the replacement cost of the assets is high is interesting. It does not mean that it will trade at that value. It could even trade above that value, depending on how tight the market gets. But the bigger determinant of how we do on these bets is not so much replacement cost as it is where we are on supply and demand. It is difficult to imagine that any of these offshore oil service companies will ever place an order for a drill ship. That would be a billion-dollar-plus order for a drill ship. To justify that you would need 700,000 a day, every single day in rates nonstop for 30 years to get a 12% return.

Since no one is going to give you a 30-year contract, it is very improbable that anyone is going to want to do that. One of the national oil companies might place an order. Their calculus is different. One of the majors or a national oil company could place an order for a drill ship, but if they do, we are talking about a billion-dollar price tag and a delivery timeline of three to five years. That means the existing fleet of about 80 drill ships is unlikely to increase and likely to shrink. Currently, the utilization rates are around 85 to 90% in that space. Once we get solidly past 90%, we may see rates rise significantly, but we are going to have an air pocket. From what I can tell, the industry is going to have an air pocket where that utilization rate might come down in the next 6 to 12 months, and then around 15 to 18 months from now, it should begin creeping back up close to 90% and possibly beyond. In that sense, both the coal and the offshore bets are asymmetric/ There are a lot of things that could happen that could lead to some incredible cash flows, but there is also the possibility of unexpected things, and they do not do what we think they will do. We believe it is a very worthwhile bet because of the risk-to-reward. The prices we bought these assets at are very conservative, and so we will see how that plays out.

QUESTION

Moving to the home builders, the question is, “When and why did you sell Tri Pointe Homes?”

MOHNISH PABRAI

Well, I would just say that the Wagons Fund is approximately a little less than two years old. We did not have access to India until almost a year back. We were trying to get access, but it took a while. When we had access and we made the Edelweiss investment. We made that a 20% bet. Typically, a lot of our bets are 4%, so that would take out five positions just to accommodate that. When we made the bet on the offshore drillers, which needed a 12% allocation, another three positions went out because of that. You get to eight positions, and then when we add something like Reysas with another two, that takes out about 10 positions. It looks like we have had a lot of changes in the portfolio, but these changes came about because of weird one-off things about the funds getting going, not having access, could not invest. We had wanted to invest on day one. But as we sit here today, we do not have any access issues. We can invest whatever we want wherever we want, which is great. There are always things that could come up on the radar that look interesting, and then we do an opportunity cost analysis. I know that the past portfolio changes in the fund have been quite a bit, mainly for this reason that we like those names, but we like the names that were coming in even better. I would expect going forward that the fund changes will be few and far between because typically in a year, we are not able to find more than a couple of things, maybe two or three things at the most. We do not have that much that we can make changes to or add to.

QUESTION

There is a question about some exited positions like CCI, Coca-Cola İçecek, and FS. "Can you talk about your recent trip to Turkey? Has CCI-FS management treated you differently since your exit, the post Russian brewery takeover, and any additional Istanbul trip inside specific to CCI and FS?"

MOHNISH PABRAI

The management of these companies have always been wonderful to us. They are very hospitable and welcoming. We did not meet FS on this trip. We met with Coca-Cola İçecek, and we had good meetings with them. We did a market tour where they took us to a number of different categories of outlets: organized retailers, small mom and pops, small restaurants, and large restaurants, to show us how they were doing things. We had a good meeting with them. There is nothing there that gets us excited to go back in versus what we have in our portfolio at this point. But we definitely appreciate the strength of the brand. There is a bunch of headwinds Coca-Cola İçecek is facing in some countries because of Gaza. They are seeing very significant drops in volume in Bangladesh. They have also seen about 3,500 outlets in Turkey refuse to carry their products. They kind of associate Coke with the US and Israel. They are facing real headwinds and backlashes on that front, which may not go away for a while, so we will see. But we do not have a position there, and we do not have any plans to take a position at this point.

QUESTION

Next question is "Brookfield Asset Management, what made you exit?"

MOHNISH PABRAI

Well, again, it was an opportunity cost when we had those positions coming in. The same with Core Natural Resources. We prefer the pure met coal miners, and so we like the met coal mining names more than the core. Core has a more diversified portfolio and some assets that we are not great fans of, so we like where we are at.

QUESTION

Next question is, "A recent interview mentioned shorting some auto dealerships due to inventory dynamics and other factors. Any thoughts?"

MOHNISH PABRAI

Well, the auto dealerships are misunderstood by the market. The Wagons Fund has some exposure to them. They are not our highest conviction bets, but we have held them for a while. We like the place, and what people miss in the auto dealerships is that most of the action is in the back of the house with parts, service, used cars, and F&I. New car margins approach zero. It is a commoditized product, so they do not make much there, and that is not where the story is. Dealers make a lot from parts and service, which is highly recurring. As cars get more complicated, they stay in service longer. The US fleet is currently the oldest it has ever been. With the tariffs coming in and the increased price of new cars, that fleet may continue to get older, and people will want to spend more money maintaining their cars. It is good for the likes of AutoZone and similar names, but is also very good for the dealerships in general. Car dealers are good business, and we like it.

Those were the questions I saw that were related to the portfolio. I am going to go through some of the more fund level questions that I believe may have some broad appeal.

QUESTION

There is a question: "I would like to inquire about your assessment of your performance as a fund manager of the Wagons Fund. After careful reflection, how would you rate your performance? Would you consider implementing any changes to your approach? Additionally, I would like to understand whether your interests align with those of your investors in this fund."

MOHNISH PABRAI

The Wagons Fund is less than two years old, so from my perspective, that is really not enough time to draw any conclusions, though I may be biased. It has also been a period where the Mag Seven, AI bets, and all of that have been forming. A lot of the smaller-cap names (you get past the top 20 names and the S&P) are not doing so great. There will be rotation at some point because eventually things change from a voting machine to a weighing machine. I love our portfolio in the Wagons Fund. It is a wonderful set of businesses. My own history as an investor has informed me over the last three decades or so that many times, the returns that you are expecting in the business do not even show up till you have held the position for five years or more. Many times, we see that the fifth, sixth, and seventh years of ownership are when you are really seeing the dividends. Let us take Reysas, for example. We have been invested since 2019, huge discount to the intrinsic value. We saw no meaningful returns for the first three or four years, even though the discount was so wide.

That may be similar here, where we look at companies like Edelweiss, and we kind of shake our heads about the valuation. It may take two or three years for that value to be reflected. But when we look at the portfolio as a whole, and then we look at the likely intrinsic value of the portfolio, we see a huge gap. I would not have expected us to underperform to the extent that we have in the first two years versus the S&P, but I would also say that since February or March of this year, we have kept up with the S&P approximately. Even though the S&P has been climbing, the Wagons Fund has, even with all the non-S&P bets for the most part, kept up. At some point, if the S&P or the broader market takes a tumble, our names may or may not do that.

When I look at Turkey, for example, this time for the trip, it was very clear that the business climate in Turkey is very anemic right now. They have taken interest rates all the way up to 50%, and now they are in the 40-odd percent range. But that worked well. Inflation has come down a lot. Inflation is around 20 percent a year, and it used to be close to 100%. It looks like, probably in two or three years, Turkey will have single-digit inflation, which is really quite remarkable. It could have single-digit interest rates, and that would trigger a very significant boom. Our Turkey bets have done reasonably well with all the headwinds that they are facing. They have not really had tail winds. When the tailwinds come in, they could be very strong and such. The next few years, I am very bullish, but you have to temper it with my biases.

QUESTION

The next question is, "How do you reconcile the proven strategy of running a concentrated portfolio with the mutual fund regulatory requirements that force you to diversify more than you otherwise might? How different would our long-term performance outlook be if we could be more concentrated, similar to your private funds?"

MOHNISH PABRAI

The mutual fund diversification rules are good. If I were a regulator, I would want those rules. I would not make any changes to them. When you are dealing with the public and with equities, diversification is very good. At the same time, what we have tried to do is to stay within the frameworks and be diversified. But we have tried to, because I cannot come up with more than a couple of ideas a year. The fund is going to have 15 or 20 positions if we have made multiple bets in a given sector that we like. In an ideal world, what I would have done is I would have picked the best out of them to invest in. Here we do not have the choice to pick the best, but that might also be good that because we may be wrong about which one is the best. For example, we have three bets in the offshore drilling space, and we have three or four bets in the met coal space. Similarly, in the home builders we have got two bets, car dealers we have three bets, and so on. We would have been a little bit narrower if we were allowed to, but I do not have much complaint about the way it is set up. I like the way Pabrai Funds has some concentration. For example, we have a large bet in Edelweiss and TAV airports, and we have a lot of smaller bets, but they are in five or six buckets, and we like those buckets.

QUESTION

Next question is, "How are trades prioritized between the Dalal Street Hedge fund and the Pabrai Mutual fund? Will Dalal Street Fund trade in front of the mutual fund all the time? I am concerned about the conflict of interest here."

MOHNISH PABRAI

That is a very good question. We have a lot of compliance on the mutual fund side. We have a lot of compliance on the hedge fund side. For every single day of the year in advance, we have a set algorithm. Every fifth day, the Wagons Fund has priority to invest in whatever it wants to. Three out of the five days, the three hedge funds have priority. In other words, it is spread out. From a practical point of view, not all funds are buying all the time. Sometimes when the Wagons Fund is building a position, it could be buying every day as the number one. We do not think there is any preference that Pabrai Funds or the

Wagons Funds get in the buying. It has been kind of equitably set up. I do not have any discretion. Daily, it is dictated by what has been blessed by compliance, and we just do it that way. It keeps our lives simple, and it is very fair to everyone.

QUESTION

The next question is, "The Pabrai Wagons Fund size is rather small, about 80 million, and an order of magnitude less than Mohnish manages in total. Is there a threshold below which you close the fund or increase the fees due to a mismanagement between fees and overhead at the current fund size?"

MOHNISH PABRAI

Actually, we are very happy with the way the assets have grown, especially with the headwind of underperforming the S&P. We have no plans to shut it down; we like the funds. It will become profitable for us when the assets are around 150 million or so. We will get there organically and partially with increased assets. I am not sure in what timeframe, but it should get there. We have no plans to raise the fees. As we scale, there are possibilities that the fees could go down, but we have no plans to increase them.

Let me take a look at the chat window to see if there are some interesting questions that may have broad appeal.

QUESTION

There is a question on Polaris, which is one of our offshore services, "Given Polaris's current contracting strategy, pursuing two or three-year deals and structuring shorter contracts as stepping stones, longer ones, how do you view the tradeoff between locking in visibility today versus retaining exposure to potentially higher day rates from 2027 onwards? Do you see a risk that Polaris might sacrifice upside if much of the floater field already contracted past that inflection point?"

MOHNISH PABRAI

Well, I would just say that in the interaction we have had with Polaris Management, I am very impressed with them. They really understand what they have, and they take a very long view of the business. They currently have three cold-stacked seventh-generation ships, and they are not in a hurry to put them to work. It may take a year to 18 months to mobilize them when they get a contract. Even without these three ships, they are solidly profitable, with strong cash flow. But if and when these three ships join the others, that is a very significant boost to their cash flows. The way Polaris functions is smart: excluding the cold-stacked ships, they aim to maintain a strong yield. If a ship is idle and they see a three-month, six-month, or even one-year job that reduces slack, they will take it while keeping flexibility for a better, longer-term deal. Honestly, I could not do it better myself if I were in their position. These guys are true experts at this. They do a very good job, and they do not have balance sheet pressure to do stupid things, which is great.

QUESTION

There is a question on Edelweiss: "Looking at Edelweiss, there have been frequent management exits, especially with Venkat leaving. Secondly, regarding Edelweiss, the main value lies in EAAA, with the IPO being frequently delayed. Do you see them actually following through?"

MOHNISH PABRAI

Well, we have been following Edelweiss for about a decade and have met with them many times over the years. We have not seen management exits. That is a wrong statement. We have seen a lot of continuity in their senior team. Venkat is one of the founders of Edelweiss, and he has stepped down from the CEO role at EAAA. I have met Venkat before. In fact, I had him for tea here in my Austin home maybe a year or ago. He is a wonderful guy. I like him a lot. I am not sure why he is leaving, but I do not think Venkat is leaving to go somewhere else. There are issues we do not know about, and I hope he is okay. Venkat himself has said that he is fully committed to Edelweiss, with a large portion of his network tied up in the Quest company. I also met the successor CEOs of EAAA last month in India. Both are solid guys who have been with EAAA for a while. Clearly, Venkat would have been the strongest of the three of them because he is an exceptional founder and manager. That said, I was impressed with the next generation coming in. EAAA is a very good business, and they have other gems in their portfolio, which will reveal themselves over time. Overall, we do not have much concern about the IPO. I expect it will go through.

QUESTION

Next question is, "Are you going to be able to let your winners run, given the fund restrictions around position, size, and number of holdings?"

MOHNISH PABRAI

We have set up our portfolio in compliance with all the rules and laws, and we like the mix of things and how we have done it. For example, we have approximately 10% of the fund in the two Reysas companies. If it were up to me, I would put it all into one of them, not both of them. But it is an 18 versus 20 difference, and that is not huge. That is what we have done with a lot of the other positions. We have more positions, but they are not that far off from where we would like to be.

QUESTION

The next question is, "Warrior talks about the advantage of serving the Atlantic Basin because of the access to the Port of Mobile in Alabama. It looks like they are increasingly going to rely on Asia for sales compared to low-cost producers in Australia, Russia, Canada, Mozambique, and the countries where they list competitors. It seems those countries are all better located to sell to Asia. How do you think about this?"

MOHNISH PABRAI

In coal transport, it is the land portion of the transport that is the most expensive. Once you get the coal on the water, it does not matter where in the world it is. The key is to get it to a port as cheaply as possible. Warrior has excellent logistics in the Port of Mobile. I spent a good part of half a day at the Port of Mobile a couple of years ago, and it is a fantastic facility and asset created by the government of Alabama for trade with coal and other commodities coming in. It is a great infrastructure they have there.

Warrior is very competitive globally with their coal. The coal is of very high quality, and in 2020, they actually had a schedule. The Longwall project is going to start producing coal in a few months, in early 2026. By probably early 2027, they will be fully ramped. Their production would go from something like 8 million tons to about 12 million tons. Warrior has the possibility to take their production as high as 20 million tons. It would take two, three years to do that. But if the rates went crazy, they could bring on a lot more production. They would shrink their reserves, and the company would run our coal faster, but they could move that forward on the curve if they had to. We like that bet quite a bit.

QUESTION

We have a question about Edelweiss: "Can we consider the bet of Edelweiss as a bet dependent on corporate action to take place? If yes, what is the possible wait time without any action?"

MOHNISH PABRAI

The likely situation with Edelweiss is that as the individual assets get a valuation, eventually that valuation will get reflected at the mothership. We have seen similar situations before. Take Nuvama pre-IPO, and how it was sitting on an asset in 2021, that is now valued at 3 billion. That was nowhere near reflected. EAAA, even though it may IPO at a billion or a billion and a half or 2 billion, when we look at it 5 or 10 years from now, it is going to be a huge multi-billion-dollar company. Like I said, nothing is guaranteed in the equity markets. We like the asymmetric nature of that bet. The odds are favorable, and beyond that, we will see how it goes.

QUESTION

The next question is, "What do you think about AMR's management selling part of the shares in the company?"

MOHNISH PABRAI

One thing to keep in mind about markets and people buying and selling is that people buy stock for only one reason, and they sell stock for 100 reasons. The signaling you can pick up when someone sells something can be way off. Alpha's chairman now is Michael Gorzynski. I have met Mike a few times, and he is a first-class capital allocator. He understands the coal business really well. He has a large stake in Alpha, and he has an owner's mindset. A lot of the managers I have met with are some of the best in the industry. The reason that Alpha has moved down the cost curve is because of Jason, their chief operating officer. Jason may be the best continuous room-and-pillar met coal miner in North America. He is truly exceptional. Interacting with him was always a pleasure. Overall, Alpha has really good management. I like those guys a lot, and I do not have any concerns about them lightening up their holdings. There is substantial ownership on both the board and within management.

QUESTION

Regarding TAV, and I'll make this the last question since we have about two minutes left: "TAV is partially owned by the French government, so are you concerned that government interests could cause irrational shareholder decisions?"

MOHNISH PABRAI

Well, Aeroports de Paris owns a 46% stake in TAV. Looking back, the former CEO and chairman of TAV, Sani, was exceptional. He is not with the company anymore, but Sani was a very aggressive guy. Aggression is great. In many ways, he was the accelerator.

Meanwhile, the French civil servants on the board acted more as brakes. In my opinion, it was a great fit because you had tension between them. The investments that came out at the end of that were exceptional. They made the Almaty bet, and they signed up for the Ankara deal. They made some very big bets that were not timid at all. Both sides came at it differently. The French have been a very good kind of sobering influence. The French have a very conservative approach. They want TAV to have a conservative balance sheet. I am all for that. They want TAV to be a strong dividend player. But they also understand that TAV got levered in the last few years, because of all the different deals they were doing. In the next few years, once they get the leverage down, they will once again start looking at interesting opportunities around, and they may step up to the plate. I do not see the French as being anything negative. In fact, having them there is a net positive. They are very high ethical owner. They improve governance and ethics within that company. That is wonderful.

Thank you so much for participating, and thank you for being investors. We will talk to you again in about three months. All the best. Thank you.

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