PABRAI INVESTMENT FUNDS

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To: All Limited Partners and Investors of the Pabrai Investment Funds

From: Mohnish Pabrai, Managing Partner

Date: January 11, 2008

Re: **2007 Results et. al.**

Dear Partners:

For the quarter ended December 31, 2007, $50.1 Million was added to the various funds by new and existing partners. The additions on a per fund basis are:

PIF2 (US Accredited): $2.6 Million

PIF3 (Offshore/IRA): $30.7 Million

PIF4 (US Qualified): $16.8 Million

In addition, Dec. 31 was also the annual redemption date. A total of $13.1 Million was redeemed from the various funds. The redemptions are a per fund basis:

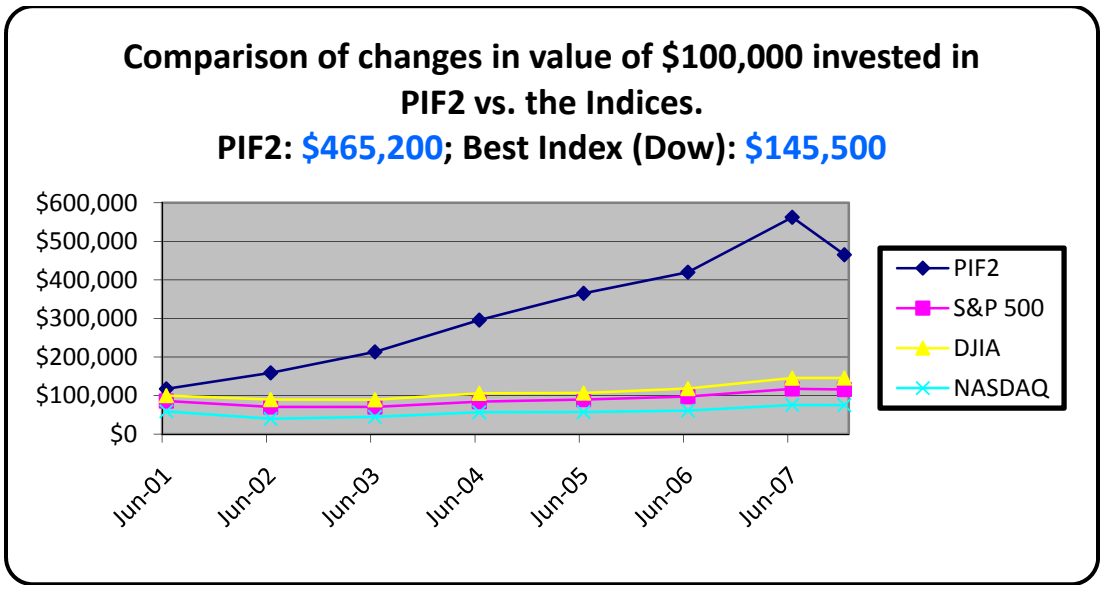
PIF2: $7.4 Million PIF3: $2.3 Million PIF4: $3.4 Million

Included in the above redemptions is $4 Million from PIF2 by Dalal Street, Inc. This is Pabrai family redemptions to cover our residual 2007 taxes and our contributions to the Dakshana Foundation for 2008. I chose to redeem all of it from PIF2 as it is the fund with the largest Pabrai family stake – thus making the absolute amounts invested in PIF2 and PIF4 by the family more balanced.

The updated performance numbers on all the funds are:

PABRAI INVESTMENT FUND 2 (US Accredited Investors) Performance Summary:

	DJIA	NASDAQ	S&P 500	PIF2 (net to investors)
10/1/00 – 6/30/01	**-0.2%**	**-41.0%**	**-14.0%**	**+17.4%**
7/1/01 – 6/30/02	**-10.3%**	**-32.7%**	**-18.0%**	**+35.3%**
7/1/02 – 6/30/03	**-0.5%**	**+11.4%**	**+0.3%**	**+34.2%**
7/1/03 – 6/30/04	**+18.6%**	**+26.8%**	**+19.1%**	**+38.7%**
7/1/04 – 6/30/05	**+0.7%**	**+1.1%**	**+6.3%**	**+23.4%**
7/1/05 – 6/30/06	**+11.1%**	**+6.5%**	**+8.6%**	**+15.0%**
7/1/06 – 6/30/07	**+23.0%**	**+20.7%**	**+20.6%**	**+34.0%**
7/1/07 – 12/31/07	**+0.1%**	**+2.3%**	**-1.4%**	**-17.3%**
1/1/07 – 12/31/07	**+8.9%**	**+10.7%**	**+5.5%**	**-1.2%**
Annualized	**+5.3%**	**-3.8%**	**+2.0%**	**+23.6%**
Cumulative	**+45.5%**	**-24.8%**	**+15.7%**	**+365.2%**

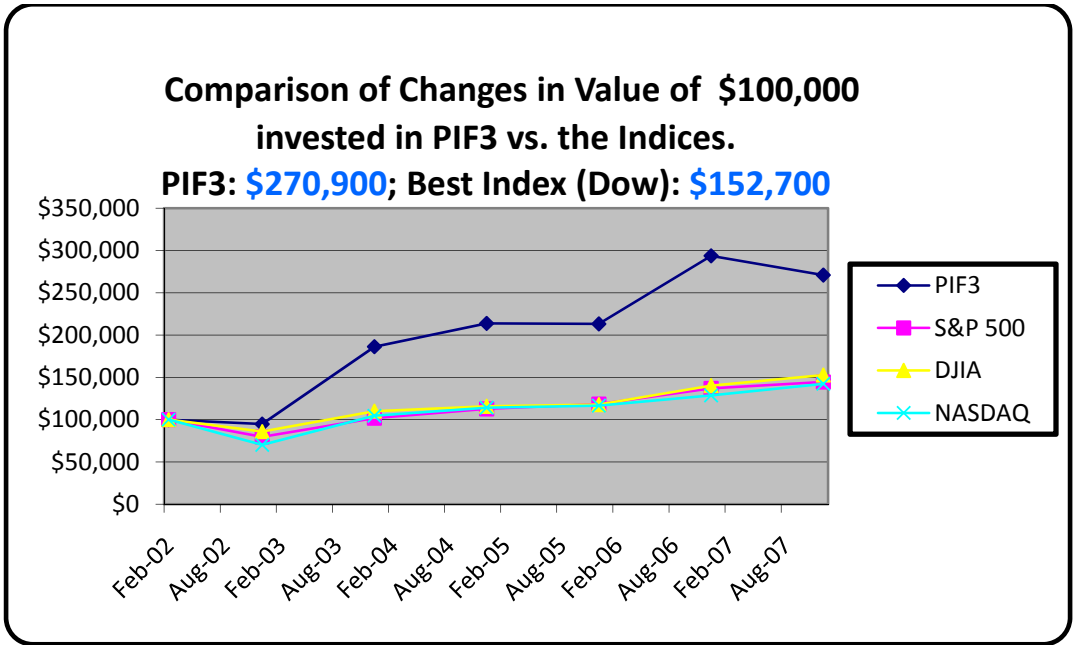


PIF2 Investors:

A $100,000 investment in PIFI at inception on July 1, 1999 and rolled over into PIF2 on 12/31/02 ($197,900) was worth $651,800 as of December 31, 2007 (net to investors). This equates to an annualized return of 24.7% since inception – after all management fees and expenses. The best index over the same period was the Dow and an investment of $100,000 in the DJIA on July 1, 1999 was worth $144,000 on December 31, 2007 – an annualized gain of 4.4%. The Dow gains include reinvested dividends.

PABRAI INVESTMENT FUND 3 (Offshore/IRA Investors) Performance Summary:

	DJIA	NASDAQ	S&P 500	PIF3 (net to investors)
2/1/02 – 12/31/02	**-14.1%**	**-29.9%**	**-20.4%**	**-5.2%**
1/1/03 – 12/31/03	**+28.3%**	**+50.8%**	**+28.7%**	**+96.5%**
1/1/04 – 12/31/04	**+5.3%**	**+9.2%**	**+10.9%**	**+14.7%**
1/1/05 – 12/31/05	**+1.7%**	**+2.1%**	**+4.9%**	**-0.2%**
1/1/06 – 12/31/06	**+19.0%**	**+10.4%**	**+15.8%**	**+37.8%**
1/1/07 – 12/31/07	**+8.9%**	**+10.7%**	**+5.5%**	**-7.8%**
Annualized	**+7.4%**	**+6.1%**	**+6.4%**	**+18.3%**
Cumulative	**+52.7%**	**+42.3%**	**+44.5%**	**+170.9%**

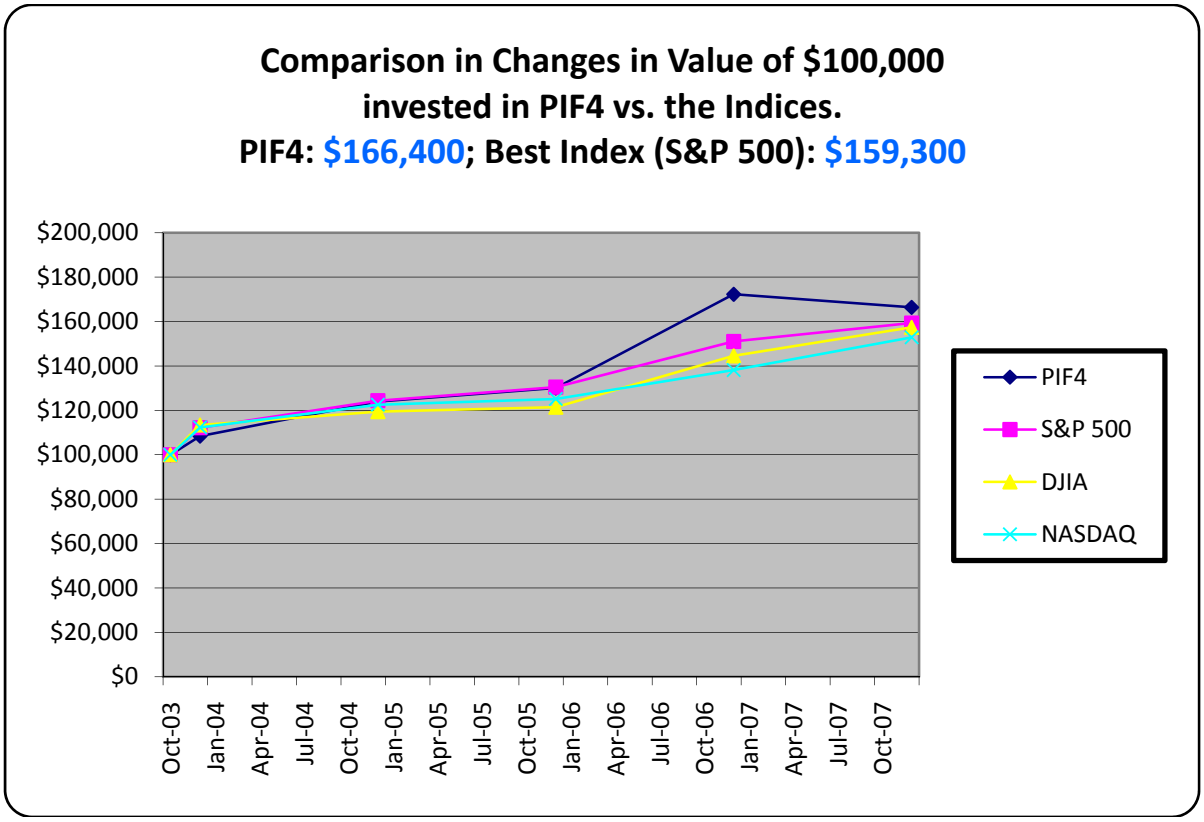


PIF3 Investors:

A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $270,900 as of December 31, 2007 (net to investors). This equates to an annualized return of 18.3% since inception. The best index over the same period was the Dow and an investment of $100,000 in the Dow on February 1, 2002 was worth $152,700 on December 31, 2007 – an annualized gain of 7.4%. The Dow gains include reinvested dividends.

PABRAI INVESTMENT FUND 4 (US Qualified Investors) Performance Summary:

	DJIA	NASDAQ	S&P 500	PIF4 (net to investors)
10/1/03 – 12/31/03	+13.4%	+12.3%	+12.2%	+8.4%
1/1/04 – 12/31/04	+5.3%	+9.2%	+10.9%	+14.4%
1/1/05 – 12/31/05	+1.7%	+2.1%	+4.9%	+4.9%
1/1/06 – 12/31/06	+19.0%	+10.4%	+15.8%	+32.4%
1/1/07 – 12/31/07	+8.9%	+10.7%	+5.5%	-3.4%
Annualized	+11.3%	+10.5%	+11.6%	+12.7%
Cumulative	+57.4%	+52.9%	+59.3%	+66.4%



PIF4 Investors:

A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $166,400 as of December 31, 2007 (net to investors). This equates to an annualized return of 12.7% since inception. The best index over the same period was the S&P 500 and an investment of $100,000 in the S&P on October 1, 2003 was worth $159,300 on December 31, 2007 – an annualized gain of 11.6%. The S&P gains include reinvested dividends.

General Comments

For calendar year 2007, all three funds underperformed the benchmark indices. The funds were down 1.2% (PIF2) to 7.8% (PIF3). The indices were all up between 5.5% (S&P 500) to 10.7% (Nasdaq). While disappointing, the focus of Pabrai Funds has never been to fixate on short-term results. What really matters is our longer term performance – over 5-10 years or more.

Here the news is quite good. All three funds have outperformed the benchmark indices over the long-haul. With PIF4 being less than 5 years old, we have to take its "long-term" data with a grain of salt. However, for PIF2 and PIF3 with 8½ years and nearly 6 years of history respectively, the data is meaningful and very satisfactory.

In 2007, one of our holdings, Delta Financial Corp (DFC), filed for bankruptcy and we lost virtually our entire investment in Delta. Throughout the 8½ history of Pabrai Funds we have had some very significant realized losses on various stocks and bonds we've invested in. Inspite of these losses, we have outperformed the benchmark indices by a meaningful margin. I fully expect that I'll successfully continue to pick losers in the future. I also have a very high level of confidence that, over the long-haul, even with these losers, we're very likely to continue to outperform the benchmark indices. In general, we've made a lot more money on the winners than we've lost on the losers – I expect that trend to continue. There is more color on Delta later in the letter.

One of the best indicators of future performance of any mutual fund or hedge fund is the fund-wide discount to underlying intrinsic value at any given time. Here the news is pretty good. The aggregate holdings of all the Pabrai Funds presently trade at significant discounts to my estimate of their underlying intrinsic value. Intrinsic value calculations can never be exact and the future can unfold quite differently than envisioned. Nonetheless, this large discount and our rock-solid investing framework makes me an optimist on the future prospects of Pabrai Funds over the long haul.

Benchmarking PIF3's (IRA/Accredited Fund) Performance Record Vs. the Indices

On December 31, 2007, PIF3 completed its 6th fiscal year. With nearly six years of performance history, it is possible to draw some meaningful conclusions about PIF3's results versus the best indices.

Performance Comparison: PIF3 vs. The Best Index
(Annualized – as of 12/31/07)

	1 Year	3 Years	5 Years	Since 2/1/02
PIF3	**-7.8%**	**+8.2%**	**+23.4%**	**+18.3%**
Best Index	**+10.7%** (Nasdaq)	**+9.6%** (Dow)	**+15.5%** (Nasdaq)	**+7.4%** (Dow)

It is best for investors to focus on the 5-year and inception (2/1/02) performance numbers. Those are the most meaningful. I am very pleased with these numbers. Over the last (nearly) six years, PIF3 delivered an annualized return (after my outrageous fees and all expenses) of 18.3% versus 7.4% annualized one would have made by investing in the best of the three indices (the Dow). Our underperformance over 1 year and 3 years simply means that we have our work cut out for us over the next few years.

Alignment of Interests

All three funds are below their historic NAVs and hence no fees were earned by any of the funds for the quarter. My immediate family has a stake of 584,396 units of PIF2, 7935 units of PIF3 and 1,238,743 units of PIF4. This stake is worth over $48 Million.

Besides the previously disclosed stake and small investment in Dardashti Capital (worth about $1.2 Million), my family has no interests in any other mutual funds, hedge funds or private equity funds. I have a deep vested interest in the future performance of Pabrai Funds.

Pabrai Funds charges no management fee, just performance fees – which are ¼ of the returns over 6% annualized (subject to high-water marks). I only get paid when you make money. When you win, I win. Our interests are completely aligned. I am very bullish on the long-term future of Pabrai Funds – as demonstrated by my being the single largest investor in the funds.

2008 Annual Meetings – Save the Date

As is our usual modus operandi, there will be two annual meeting sequentially at Chicago, Illinois & Orange County, California. The **Chicago** meeting will be held on **Saturday, Sept. 13, 2008** at 4:00 PM at our new venue:

Hyatt Regency O'Hare
9300 Bryn Mawr Avenue, Rosemont, IL 60018 Tel. +1847.696.1234

The Hyatt is a five minute taxi ride away from O'Hare airport. Besides the Hyatt, there are a plethora of hotels in the vicinity of O'Hare airport. The Hyatt has a complementary shuttle service to O'hare airport for guests and we've got 10 rooms set aside at $119/night for meeting attendees. First come first served. Please call the hotel directly to get one of those rooms. Good deals on O'Hare hotels are usually available on the major travel-related websites.

The **California** meeting is scheduled to be on **Saturday, Sept. 20, 2008** at 4:00 PM at our usual venue:

Hyatt Regency Huntington Beach Resort and Spa
(Grand Ballroom)
21500 Pacific Coast Highway, Huntington Beach, CA 92648 Tel. +1714.698.1234

We do have 10 rooms set aside for the event at $250/night for the 20th. Please call the hotel directly and book your room at this rate at the earliest mentioning Pabrai Investment Funds. Alternately, Hyatt.com usually has good rates and you can book online as well. Please book early as the hotel usually is fully booked around that time. The hotel is closest to Orange County Airport (SNA), though LAX and Long Beach (LGB) are convenient as well.

Agenda:

4:00 – 4:30 PM: Meet and Greet
4:30 – 6:30 PM: Presentation and Q&A
6:30 – 7:30 PM: Cocktail Hour
7:30 PM: Dinner

The invites will go out in June '08. Your significant other and kids of all ages are welcome to attend. I look forward to seeing you in September '08.

Do Long Term Call Options (LEAPs) have a place in Pabrai Funds?

Pabrai Funds, by charter, is limited to only investing in stocks and bonds. In 2002, the funds ceased the use of all leverage. We also do not short stocks. We are a boring long-only equity fund (with an occasional distressed bond investment). The funds are also not allowed to invest in put or call options or other kinds of derivatives.

Looking back over the last 8½ years, I can think of several investments we've made successfully where there was a very limited downside and a very promising upside (Heads, I win; Tails, I don't lose much!). In many of these cases our returns would have been higher if we had allocated a small part of the bet to buying long-term call options as well. If we believe the stock is undervalued, these long-term call options are likely wildly mispriced.

Option pricing is heavily driven by the Black-Scholes formula. In general, Black-Scholes captures short-term volatility quite well in the valuation it generates. Volatility is quite different from risk. The formula also tends to not be very good at pricing long-dated options of distressed/misunderstood businesses. Therein lies the opportunity.

In the Pabrai family portfolio (outside of Pabrai Funds), I have begun to experiment with buying LEAP call options on some positions. For the positions where LEAP call options make sense, the idea is to invest 9% of the portfolio in the stock and 1% in the LEAP versus putting the full 10% into the stock. If the investment does not do as well as anticipated, our downside with the LEAP call option is very limited. It is very unlikely that, across the portfolio, we'd have over 5% of assets (at cost) invested in LEAP call options.

Unlike a stock, a call option has an expiry date. There are also no underlying hard assets. Thus the risk with options is dramatically higher than stocks. It is likely to take a few years for me to get enough comfort with the use of LEAP call options to suggest that Pabrai Funds use them as an investing vehicle. Prior to us going down that path, we'd need to amend fund documents and I'll allow at least one exit window for folks who disagree to get off the bus.

We may never ever invest in LEAP call options at Pabrai Funds. I am simply sharing this with you today because there is now a small difference in the way I'm managing Pabrai family assets outside the funds versus the modus operandi at Pabrai Funds. I want my partners to understand the thought behind that difference.

Delta Financial Corporation (DFC) – A Post-mortem

I usually leave the specific past-holdings discussions for the annual meeting. In the case of Delta Financial, it felt appropriate to go over a few salient aspects of this ill-fated investment in this letter. Pabrai Funds started buying DFC stock in July, '06 at $9.51/share. Our last open market purchase was on February 27, 2007 at $9.75/share. The funds had invested about $45 Million in Delta over this period.

Delta was primarily a conservative fixed-rate subprime mortgage originator. They securitized the bulk of their originations and recognized the income from a given securitization over a few years – as the mortgages got paid off. When they originate mortgages, they incur costs of about 1.5 – 1.75% of the amount financed. These are recognized immediately as expenses. The market value of these mortgages (if sold as whole loans) is typically 103% – 103.5%. Thus Delta typically earns about 1.25% to 2% on this "spread." This income is recognized over a few years – as the payments are collected. Delta has a portfolio of mortgages that show up on its balance sheet as an asset. There is a gap between the carrying value of these mortgages and their market value. This fair value vs. book value delta (no pun intended) was north of $8/share at the end of 2006. This $8/share along with additional excess capital on the books exceeded the price Pabrai Funds was paying for the stock.

In other words, if Delta simply sold its business as a going concern in early 2007, a buyer would need to pay them for the real book value and something for the earnings engine. This earnings engine was generating $1.50/share and was growing. I suspect such a sale would have taken place at north of $20/share. Delta's unique positioning in the mortgage space with its fixed-rate subprime engine and conservative underwriting was very attractive to the buyers of Delta's mortgage paper. There is likely to always be a need for the kind of mortgages that Delta originated. These borrowers can't qualify for Fannie Mae conforming mortgages, but one can have a nice, profitable niche lending to them.

In the first quarter of 2007 (a few weeks after Pabrai Funds had finished buying Delta), the subprime mortgage sector showed the first signs of distress. On April 2, 2007, a major player, New Century Financial, filed for bankruptcy. While the industry was under distress in the first quarter, Delta reported very strong growth. On March 15, 2007, it completed a $950 Million securitization against a backdrop of a distressed industry. All the way through June, 2007, Delta was seeing whole loan premiums of over 3%. The street continued to recognize the higher quality of Delta's paper.

When Delta originates mortgages, it put them on its warehouse mortgage lines and then usually does a securitization every 2-4 months. These warehouse lenders have virtually always advanced 100% of the mortgage face value to Delta. In August, 2007, with the industry under continuing distress and mortgages on the warehouse lines being marked to market, the warehouse lenders gradually reduced the advance rate to 95% and Delta started getting margin calls to put up additional capital. They had around $1 Billion on their lines at the time. Thus a 95% advance rate meant giving the banks $50 Million as additional collateral. Delta met every margin call, but this put Delta is a tight spot in terms of liquidity. Hugh Miller, the CEO of Delta, called me around this time and, after I signed non-disclosure documents, explained the situation to me. He was focused on adding liquidity to his balance sheet at the earliest.

Angelo Gordon (a family of hedge funds) proposed a transaction to Delta whereby they would give the company a $60 Million line of credit and take the residuals on past securitizations as collateral. As part of the financing, Angelo would receive warrants to buy up to 10 Million shares of DFC at $5/share. The stock was trading around $5 by this time. Pabrai Funds was offered the option of buying 2 Million shares at $5/share. I spent some time thinking about it. The Angelo warrants, if exercised, would result in nearly 50% dilution for us. With the $60 Million of additional capital, the company was pretty confident they'd be able to get the pending securitization done with no liquidity issues. The unknown was the pricing they'd get and the loss they'd take. If Pabrai Funds did not participate and Delta made it through the crunch, the dilution with the Angelo warrants would significantly crimp our upside. If we did participate, we avoided the dilution and gave Delta an extra $10 Million of ammunition. On balance, I considered it a favorable wager. Including the $10 Million, Delta was a bet sized at just below 10% of assets for Pabrai Funds.

Through September and October things were getting better at Delta. Pricing was stronger, underwriting standards had been tightened further and the company began exploring a more significant capital infusion and rights offering to solidify its liquidity. By the end of October they had several offers on the table to add around $200 Million in capital. In early November, the rating agencies downgraded thousands of mortgage pools and pricing plummeted. Nearly all of Delta's paper was downgraded. All the potential financiers, except Angelo Gordon, walked away. Angelo changed its offer dramatically and made it contingent on Delta getting the pending securitization done. Shortly thereafter, the securitization markets completely shut down. Angelo Gordon walked away and Delta filed for bankruptcy.

Needless to say, if Delta had gotten that proposed October financing done and hunkered down, the odds were very high that they would have survived and eventually gotten the earnings engine humming again. Had Delta ceased originating mortgages in August and hunkered down, I think we'd have had a more favorable outcome as well.

Was investing in Delta a mistake? Looking back, Delta certainly fit many of the hallmarks of a sound Pabrai Funds investment. There was a floor value based on assets that were above the stock price and there was meaningful upside with its earnings engine. I was also cognizant of the excesses in the subprime mortgage space and thought I was sidestepping the euphoria. I failed to recognize the extreme spillover effects the subprime binge could have on Delta. That was clearly a mistake. I also failed to appreciate how a set of circumstances could undermine both the floor and earnings engine at the same time.

Regarding the $10 Million we invested in August, it looked a lot like a rights offering. If we did nothing, we'd get heavily diluted and if we invested, the company became healthier, cost basis came down and we avoided dilution. The odds were very good that Delta would make it after the $70 Million injection of liquidity. In hindsight, I should have assumed prolonged/extreme market conditions and stress tested whether Delta would make it under those conditions.

For what it's worth, Pabrai Funds has had a good history of investing successfully in a variety of mortgage/banking businesses. In 2002, we invested Fremont General and quadrupled our money in a year. Fremont was a retail bank with a significant home and commercial mortgages portfolio. The overhang with Fremont was uncertainty over its discontinued insurance business. One of the very first investments I made when Pabrai Funds got started in 1999 was in Silicon Valley Bank. Over 2½ years we made 150% on that investment. In Q102 we took a stake in New Century Financial that we exited in Q202 at a 100+% gain (in 3 months). We again invested in New Century in Q402 (when its price collapsed again) and exited in Q104 - again at over a 100+% gain. We never invested in Fremont or New Century after that.

Our Fremont investment was discussed at length at the 2004 annual meeting. Here are the links:

Pabrai Funds 2004 Annual Meeting Transcript

Pabrai Funds 2004 Annual Meeting Presentation Slides

(to access, the id is pabraifunds and password is warren)

Like Delta, New Century had residuals on its balance sheet that the market was not pricing appropriately. As those residuals got monetized and the markets became more rational, I believed the value would show up in the stock price – and it did. Both the Fremont and New Century investments were made (and sold) well before the subprime mortgage lending binge took hold in 2004.

In the broader financials space, we've invested periodically in Berkshire Hathaway as a placeholder and as of 9/30/07 had an investment in Fairfax Financial. Both have been winners. Other than Delta, the only other loser in the financials space that comes to mind is E. W. Blanch, a reinsurance broker where we had a 10% realized loss for PIF2 and 30% for PIF1. The Blanch investment was made in the 2000-01 timeframe. Blanch was discussed at the 2002 annual meeting and links to the slides and transcript are given below:

http://www.pabraifunds.com/website/meetingminutes20021.pdf

http://www.pabraifunds.com/website/pif2002annualmeeting.pdf

In summary, my conclusion on Delta is to learn, but not learn too much. We made a favorable bet that did not go in our favor. Investing is a game of probabilities. There are no absolutes. One can make a favorable bet and come out a loser. That's perfectly fine. The key is to seek out highly favorable bets and bet a meaningful amount when those appear on the horizon. Over time the aggregate odds will likely play out heavily in favor – as they have over the last 8+ years.

Inner Workings of a Concentrated Portfolio

At the annual meeting in 2005, I had put up a slide entitled *"Inner Workings of a Concentrated Value Portfolio."* Here is the link:

http://www.pabraifunds.com/website/2005_PIF_AM_Slides.pdf

(slide 17)

Assume there is a $1000 portfolio fully invested in 10 positions ($100 each) and the final outcome/market value of these ten investments is as follows:

1. $10
2. $50
3. $100

4. $100
5. $100
6. $180
7. $180
8. $200
9. $200
10. $300

Total: **$1500**

One stock lost 90% of value, another lost 50%, two stayed flat, five were up 90-100% and one were up 200%. The aggregate value of the portfolio is $1500. If we take investment #1 to a 100% loss, it does not have much impact. Aggregate portfolio value goes to $1490 from $1500.

If this saga took three years to play out, the annualized return would be 14.5%. At two years, it's 22.5% and if it all played out in a year, we'd be up 50%. Most of our bets have historically played out within 1½ to 2 years. I normally assume a 2-3 year timeframe for positions to get to intrinsic value. There are a few salient observations worth making about this portfolio. While I try to buy all positions at a greater than 50% discount to underlying intrinsic value in 2-3 years, in this portfolio fully 50% of positions are either break-even or money losers.

In other words, if this were Pabrai Funds, I'd either have been way off on intrinsic value assessments *half the time* or, for whatever reason, the future would have unfolded quite unfavorably for half the portfolio. Even with this 50% error rate in this hypothetical portfolio, the end result is quite acceptable. Regarding the one outlier where there is a 200% return we have hit triples (and even quadruples) a few times in the last 8½ years. Some examples that immediately come to mind are Canadian Oil Sands, Covanta, Fremont General, Ipsco, etc.

Limiting Assets Under Management

There is an inverse correlation between size and performance. Pabrai Funds now has around $590 Million under management. Under present market conditions, I am planning to stop accepting new money around the $1 Billion mark.

A few months back, I eliminated virtually all calls and meetings with potential investors. I've also eliminated virtually all calls or meetings with existing investors if the primary subject is about their adding more assets. These have served to reduce inflows.

I am very comfortable with our current asset size and I believe $1 Billion in assets is manageable and we'll continue to deliver long-term results that are superior to the broad indices at that size.

Next Opening – April 1, 2008 (all funds); February 1, 2008 (PIF3)

There are two funds open to new investors to add funds - PIF3 and PIF4.

The minimum investment for PIF4 is now $2,500,000 and one needs to be a "qualified investor" as defined by the SEC. The offering and subscription documents for PIF4 have details on who is considered a qualified investor. Next opening is April 1, 2008.

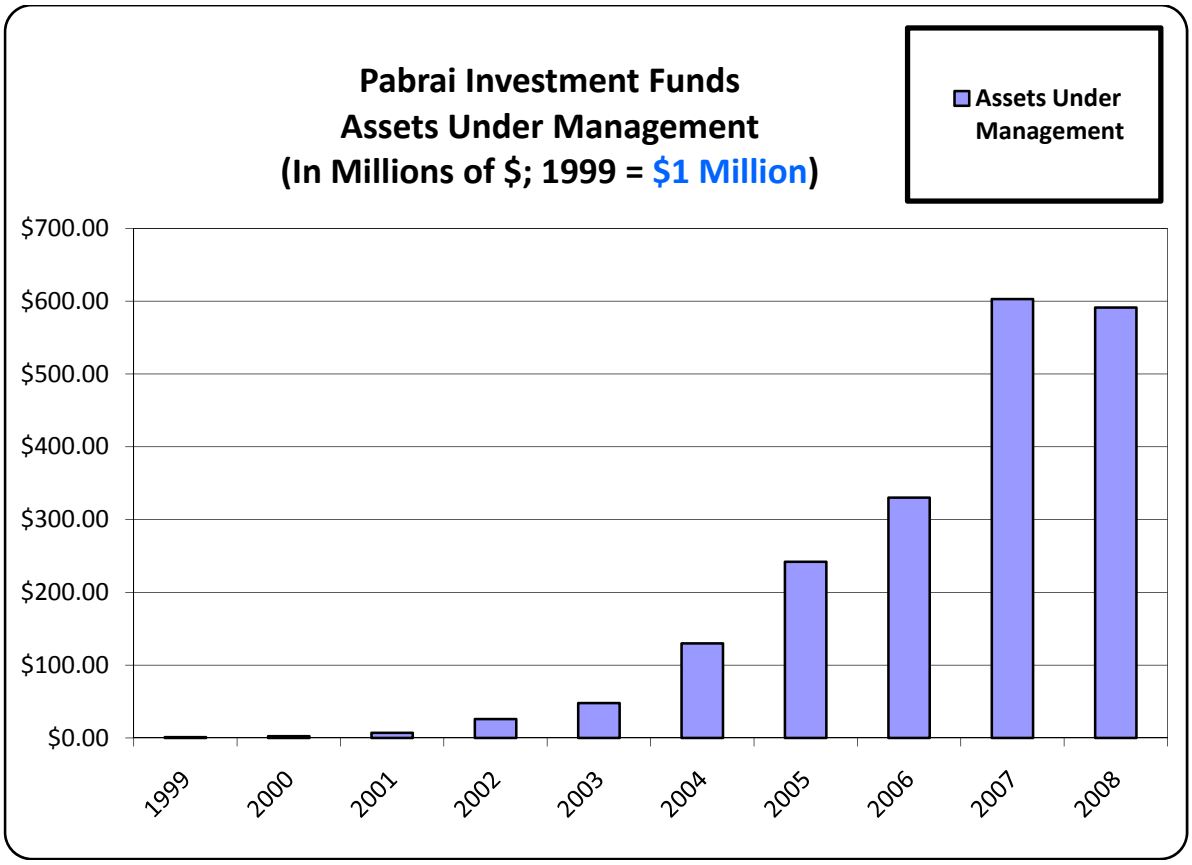
To invest in PIF3, one needs to be a non-US accredited offshore investor. Tax-exempt accounts like IRAs, Roth IRAs and US Family Foundations can invest in PIF3 as well. The minimum investment to join PIF3 as a new partner is $10,000,000 for US Tax-exempt accounts and $2,500,000 for offshore investors. Next opening date for PIF3 is February 1, 2008.

Existing partners in any of the Pabrai Funds can add funds in increments of $25,000 at each opening (with a $25,000 minimum).

PIF2/PIF4 open once every quarter to add funds from new/existing investors (1/1, 4/1, 7/1, 10/1) while PIF3 is open to add funds on the 1st day of every month.

Assets Under Management

There is over $591 Million in assets under management between all the funds as of January 1, 2008.



Thanks for your continued interest, referrals and support. Feel free to call me at +1949.453.0609 or email me at mp@pabraifunds.com with any queries or comments.

Warm regards,



Mohnish Pabrai

Appendix A

PIF2's Performance History (Net to Investors)

No. of Units	Date	PIF2 NAV
110,000	10/1/2000	$10.00
330,014	6/30/2001	$11.74
1,027,795	6/30/2002	$15.89
1,950,982	6/30/2003	$21.32
2,445,212	6/30/2004	$29.58
2,696,687	6/30/2005	$36.52
2,646,687	6/30/2006	$41.99
3,013,111	6/30/2007	$56.25
3,018,411	9/30/2007	$51.88
2,915,170	12/31/2007	$46.52

PIF3's Performance History (Net to Investors)

No. of Units	Date	PIF3 NAV
65,100	2/1/2002	$10.00
265,919	12/31/2002	$9.48
485,041	12/31/2003	$18.63
1,774,753	12/31/2004	$21.37
2,478,793	12/31/2005	$21.32
2,930,608	12/31/2006	$29.37
6,438,615	12/31/2007	$27.09

PIF4's Performance History (Net to Investors)

No. of Units	Date	PIF4 NAV
595,030	10/1/2003	$10.00
1,219,330	12/31/2003	$10.84
5,627,712	12/31/2004	$12.40
9,314,803	12/31/2005	$13.01
11,528,331	12/31/2006	$17.23
16,899,746	12/31/2007	$16.64

Past performance is not indicative of future results. Returns are presented net of all fees and expenses, include the reinvestment of income and are calculated using a simple rate of return. The securities discussed do not represent all securities recommended for the Funds. It is also not a recommendation to buy or sell and one should not presume they will be profitable.

Please be aware that our past newsletters may discuss specific securities that have performed well without necessarily addressing those that have underperformed within our Fund(s). Readers should not infer that all investment decisions within the Funds were profitable.