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 10, 2020

Re: **2019 Results etc.**

Dear Partners:

Happy New Year! December 31 was our annual redemption date. A total of $64.9 million was redeemed from the various funds in 2019. The redemptions on a per fund basis are:

PIF2: $8.1 million PIF3: $10.2 million PIF4: $46.6 million

For the quarter ended December 31, 2019, a total of $2.4 million was added to PIF3 by new and existing investors.

Dhandho Holdings will be making a distribution to its unit holders in Q1 2020. As we have done in the past, we're opening up all three funds on April 1, 2020 to accommodate any Dhandho Holdings investors who wish to move some or all of the distribution to Pabrai Funds. The funds will also be open to all existing Pabrai investors to add funds. New investors can add funds to PIF3 and PIF4. PIF2 will remain closed to new investors as it hardly has any slots available.

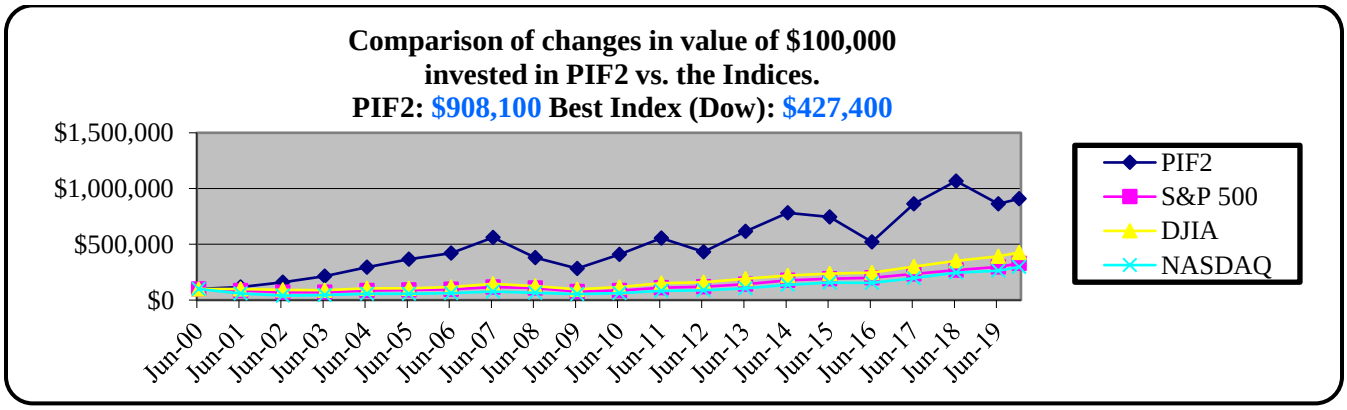
PIF3 is our offshore fund for non-US accredited offshore investors, and U.S. IRAs, foundations, and endowments. The minimum investment to join PIF3 as a new partner is $3 million for individuals and $10 million for IRAs/foundations/endowments. PIF4 is for qualified US-based investors. The minimum investment to join PIF4 as a new partner is $8 million.

For current investors in any of the funds, the minimum addition to their current investment is $25,000. For IRA investors the minimum is $5,000. If you are interested in or would like more information about the April 1, 2020 opening, please contact Valerie Magursky or me at vm@pabraifunds.com or mp@pabraifunds.com, respectively.

The updated performance numbers on all the funds are:

THE PABRAI INVESTMENT FUND II, LP (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%**
7/1/07-6/30/08	**-13.3%**	**-11.2%**	**-13.1%**	**-32.4%**
7/1/08-6/30/09	**-23.0%**	**-19.1%**	**-26.2%**	**-25.2%**
7/1/09-6/30/10	**+18.9%**	**+16.0%**	**+14.4%**	**+43.6%**
7/1/10-6/30/11	**+30.4%**	**+32.9%**	**+30.7%**	**+35.8%**
7/1/11-6/30/12	**+5.2%**	**+5.4%**	**+3.9%**	**-21.8%**
7/1/12-6/30/13	**+18.9%**	**+17.8%**	**+20.6%**	**+42.2%**
7/1/13-6/30/14	**+15.5%**	**+31.2%**	**+24.6%**	**+26.7%**
7/1/14-6/30/15	**+7.2%**	**+14.6%**	**+7.4%**	**-4.5%**
7/1/15-6/30/16	**+4.5%**	**-1.6%**	**+4.0%**	**-30.0%**
7/1/16-6/30/17	**+22.1%**	**+28.4%**	**+17.9%**	**+64.9%**
7/1/17-6/30/18	**+16.3%**	**+23.6%**	**+14.4%**	**+23.9%**
7/1/18-6/30/19	**+12.2%**	**+7.8%**	**+10.4%**	**-19.2%**
7/1/19-12/31/19	**+8.6%**	**+12.7%**	**+10.9%**	**+5.2%**
1/1/19-12/31/19	**+25.3%**	**+36.7%**	**+31.5%**	**+9.2%**
Annualized	**+7.8%**	**+5.8%**	**+6.4%**	**+12.1%**
Cumulative	**+327.4%**	**+197.7%**	**+228.6%**	**+808.1%**

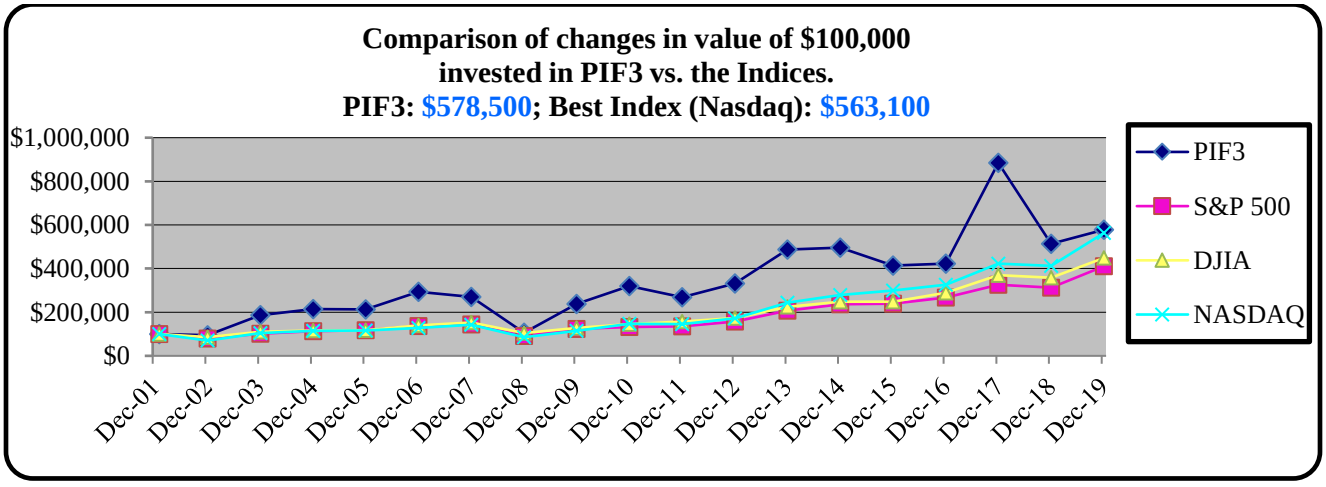


PIF2 Investors:

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 $1,272,200 as of December 31, 2019 (net to investors). This equates to an annualized return of 13.2% 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 $423,100 on December 31, 2019 – an annualized gain of 7.3%. The Dow gains include reinvested dividends. In the graph above, the start date for PIF2 is shown as June 2000 for readability. The correct start date is October 2000.

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

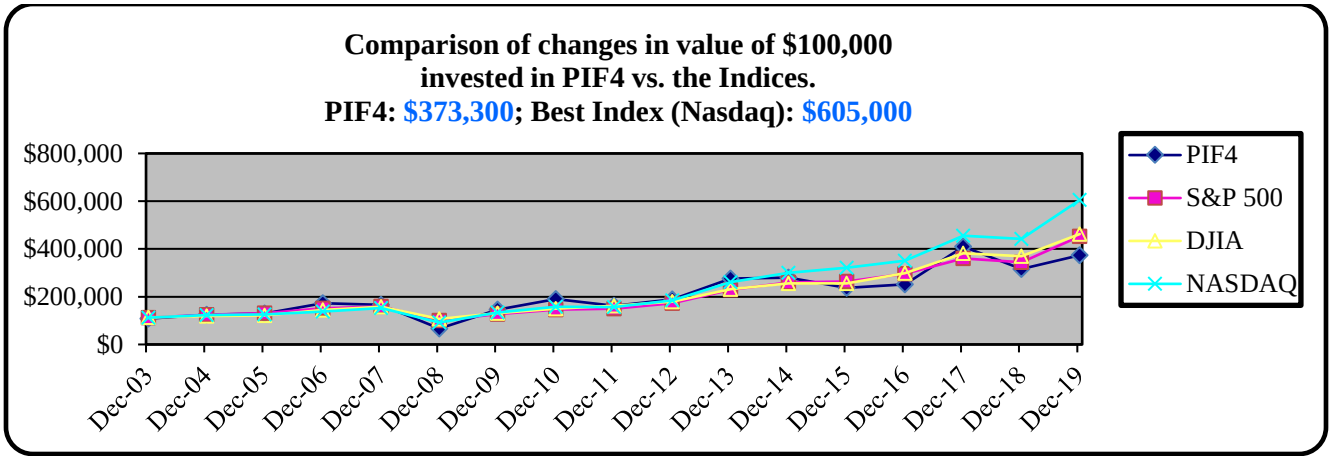
	DJIA	NASDAQ	S&P 500	PIF3 (net to investors)
2/1/02-12/31/02	-14.1%	-29.9%	-20.4%	-5.2%
1/1/03-12/31/03	+28.3%	+50.8%	+28.7%	+96.5%
1/1/04-12/31/04	+5.3%	+9.2%	+10.9%	+14.7%
1/1/05-12/31/05	+1.7%	+2.1%	+4.9%	-0.2%
1/1/06-12/31/06	+19.0%	+10.4%	+15.8%	+37.8%
1/1/07-12/31/07	+8.9%	+10.7%	+5.5%	-7.8%
1/1/08-12/31/08	-31.9%	-39.9%	-37.0%	-60.9%
1/1/09-12/31/09	+22.7%	+45.4%	+26.5%	+125.0%
1/1/10-12/31/10	+14.1%	+18.2%	+15.1%	+34.4%
1/1/11-12/31/11	+8.4%	-0.8%	+2.1%	-15.7%
1/1/12-12/31/12	+10.2%	+17.7%	+16.0%	+23.4%
1/1/13-12/31/13	+29.6%	+40.2%	+32.4%	+46.6%
1/1/14-12/31/14	+10.0%	+14.8%	+13.7%	+1.9%
1/1/15-12/31/15	+0.2%	+7.1%	+1.4%	-16.7%
1/1/16-12/31/16	+16.5%	+8.9%	+11.9%	+2.3%
1/1/17-12/31/17	+28.1%	+29.7%	+21.8%	+109.2%
1/1/18-12/31/18	-3.5%	-2.8%	-4.4%	-41.9%
1/1/19-12/31/19	+25.3%	+36.7%	+31.5%	+12.5%
Annualized	+8.7%	+10.1%	+8.2%	+10.3%
Cumulative	+348.7%	+463.1%	+310.6%	+478.5%



PIF3 Investors:
A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $578,500 as of December 31, 2019 (net to investors). This equates to an annualized return of 10.3% since inception. The best index over the same period was the Nasdaq and an investment of $100,000 in the Nasdaq on February 1, 2002 was worth $563,100 on December 31, 2019 – an annualized gain of 10.1%. The Nasdaq gains include reinvested dividends. In the graph above, the start date for PIF3 is shown as December 31, 2001 for readability. The correct start date is February 1, 2002.

THE PABRAI INVESTMENT FUND IV, LP (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%
1/1/08-12/31/08	-31.9%	-39.9%	-37.0%	-60.0%
1/1/09-12/31/09	+22.7%	+45.4%	+26.5%	+118.8%
1/1/10-12/31/10	+14.1%	+18.2%	+15.1%	+30.7%
1/1/11-12/31/11	+8.4%	-0.8%	+2.1%	-14.8%
1/1/12-12/31/12	+10.2%	+17.7%	+16.0%	+16.1%
1/1/13-12/31/13	+29.6%	+40.2%	+32.4%	+46.0%
1/1/14-12/31/14	+10.0%	+14.8%	+13.7%	+1.8%
1/1/15-12/31/15	+0.2%	+7.1%	+1.4%	-15.4%
1/1/16-12/31/16	+16.5%	+8.9%	+11.9%	+6.3%
1/1/17-12/31/17	+28.1%	+29.7%	+21.8%	+62.4%
1/1/18-12/31/18	-3.5%	-2.8%	-4.4%	-22.8%
1/1/19-12/31/19	+25.3%	+36.7%	+31.5%	+18.0%
Annualized	+9.9%	+11.7%	+9.7%	+8.4%
Cumulative	+362.3%	+505.0%	+352.8%	+273.3%



PIF4 Investors:
A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $373,300 as of December 31, 2019 (net to investors). This equates to an annualized return of 8.4% since inception. The best index over the same period was the Nasdaq and an investment of $100,000 in the Nasdaq on October 1, 2003 was worth $605,000 on December 31, 2019 – an annualized gain of 11.7%. The Nasdaq gains include reinvested dividends. In the graph above, the start date for PIF4 is shown as December 31, 2003 for readability. The correct start date is October 1, 2003.

General Comments

All three funds had strong Q4 2019 performance. They were up 10%, 15.6% and 8.2%, respectively, for the quarter versus 7-12% for the various indices. However, the funds were well behind the indices in 2019. The funds were up 9.2%, 12.5%, and 18%, respectively, in 2019 versus 25-37% for the indices. Our India positions, which were such a big tailwind in 2017, gave us plenty of headwinds in 2018 and 2019.

The funds continue to have approximately 40% invested in small and mid-caps in India and I am very thrilled with the assets we own in India. The Indian small and mid-cap indices were down 5-9% (in USD terms) in 2019 due to concerns over India's non-bank finance companies (NBFCs) that have since subsided. The indices were up 3-5% (in USD terms) in the fourth quarter and we are likely past the bottom. The wonderful compounders we own in India have legs. Many of them are easy doubles from here. I just hope I am smart enough to hold on to some of our India bets for a long time.

A few of our newer businesses contributed to positive performance in 2019, including one of our largest new additions, Micron, and one of our smallest, a very nice business in Turkey. I aggressively bought every share of the Turkish business that I could, but could only invest about $7 million in this deeply undervalued nano cap. In less than six months after we invested, that position is valued at over $33 million. We're not done yet. Amazingly, it is *still* undervalued. I love the business and folks who run it. Channeling Warren Buffett, it is a very nice castle with a decent moat and a couple of good knights in charge of the place.

In 2019, Pabrai Funds made some progress towards bridging the gap between the NAVs and underlying intrinsic value, but the gap remains wide. With the exception of the 2008-09 period, Pabrai Funds is trading at one of the widest discounts to intrinsic value since inception. Barring any macro shocks, 2020 could be a great year for Pabrai Funds. The funds are already up 1 - 8% in the first ten days of the year.

I have been running Pabrai Funds now for over two decades. The years have gone by quickly. I am just as excited about managing Pabrai Funds as I have ever been. I think the twenties are likely to be great years for Pabrai Funds as all the lessons and learnings over the last few decades get reflected in our holdings and future bets.

Alignment of Interests

My immediate family has a stake of 175,859 units of PIF2 and 433,197 units of PIF4. The administrative team at Pabrai Funds and I own 54,157 units of PIF4 and 14,754 units of PIF3 in various retirement accounts. In addition, The Dakshana Foundation owns 77,006 units of PIF3. The aggregate stake of the Pabrai family, the Pabrai Funds team and The Dakshana Foundation in Pabrai Funds is worth approximately $39 million.

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. I am very bullish on the long-term future of Pabrai Funds – as demonstrated by my being the second largest investor in the funds. No fees were earned in Q4 2019.

I have an approximately $11.9 million investment in Dhandho Holdings. Additionally, The Dakshana Foundation has an approximately $0.7 million investment in Dhandho Holdings. Besides this, I have

no other meaningful interests in any other mutual funds, hedge funds or private equity funds. Our interests are completely aligned.

Online Portal for Investment Statements

We are working with our administrator, Liccar, to set up an online portal for each investor. Instead of emailing your investment statements quarterly, Liccar will upload them to the portal and notify you via email. Liccar will also upload the K-1's to the portal.

We will begin using the portal for the 3/31/2020 investment statements. All investors will receive an email from Liccar prior to that date which will give you instructions for setting up your account in the portal.

Final K-1's (for US Investors)

For PIF2 and PIF4 investors, we expect your final K-1s to be emailed to you (password protected) and uploaded to the Liccar portal in March 2020.

PIF3 Switching to Quarterly Reporting on January 1, 2020

PIF3 investors have gotten their NAV reported monthly, while the other two funds get quarterly statements. This is an accident of history. Effective January 1, 2020, PIF3 will report quarterly, like PIF2 and PIF4. This will lead to lower administrative expenses for PIF3 and filter out some noise. The next PIF3 statement will be 3/31/2020.

Annual Report – Will be out in Q2 2020

Our modus operandi now is to provide expansive commentary in the annual reports and the annual meetings. The quarterly letter will continue to provide updated performance numbers and announcements, but minimal commentary. The annual report is slated to be published in Q2 2020.

Chai With Pabrai Blog

Please check out my blog www.ChaiWithPabrai.com which I try to keep updated. Here are some recent additions to the blog:

2020 Free Lunch Portfolio

In December 2017, I co-authored an article in Forbes about The "Free Lunch" Portfolio, which combines the power of Uber Cannibals, Shameless Cloning and Spinoffs. An updated portfolio was published on the blog in December 2019. We have now rebalanced the Free Lunch Portfolio for 2020.

http://www.chaiwithpabrai.com/blog/2020-free-lunch-portfolio

My Annual Talk at Boston College

I very much enjoyed my discussion with Prof. Arvind Navaratnam's class on Fundamental Analysis & Value Investing at the Carroll School of Management (Boston College) in November 2019. We

discussed a few investing frameworks, the importance of investment mistakes, and how to look for businesses that transcend geography and currency.

http://www.chaiwithpabrai.com/blog/my-9th-annual-talk-at-boston-college

It is also available as a podcast on Apple Podcasts:

https://tinyurl.com/applepabrai

Interview for Graham & Doddsville Newsletter, Columbia Business School

I enjoyed being interviewed for the Graham & Doddsville newsletter from the students of Columbia Business School. I discussed my journey that led to my starting Pabrai Funds, mistakes and learnings from the 2008 financial crisis and the importance of staying within one's circle of competence.

http://www.chaiwithpabrai.com/blog/interview-for-graham-doddsville-newsletter-columbia-business-school

2020 Annual Meetings – Save the Date

There will be two annual meetings held sequentially in Orange County, California & Chicago. These meetings will cover Pabrai Funds, Dhandho Holdings and Dhandho Funds.

Prior to the California meeting on September 12th, 2020, we will have the 7th Annual Gran Fondo Dhandho Bike Ride. It's a scenic ride around the Newport Estuary with views of the Pacific Ocean in Newport Beach, California. Biking can be a dangerous activity; we only want folks who are decent bikers on the ride. The ride begins at Starbucks in Newport Beach at 8:15 AM, and ends there around 10:30 AM. For folks that just wanna chill, you can come to the Starbucks at 10:30 AM and hang out with us bikers.

Here is a link to the Starbucks location:

http://www.starbucks.com/store/18175/us/jamboree-bristol/3601-jamboree-road-newport-beach-ca-926602961

Bikers are best off staying at the Newport Beach Marriott Bayview, as it is less than 0.5 miles from our Starbucks rendezvous point. Here is a link to the hotel's website: http://www.marriott.com/hotels/travel/npbst-newport-beach-marriott-bayview/. We will provide bike rental information for out-of-towners in our next Letter to Partners in April.

I hope you'll join me on Saturday morning to experience some of the magic of Southern California.

The **California** meeting is scheduled to be on **Saturday, September 12th, 2020** at 4:00 PM at:

Soka University
Performing Arts Center
1 University Drive, Aliso Viejo, California 92656 Tel. +1949.480.4000

Soka University has a spectacular campus nestled in the scenic hills of Aliso Viejo. It is a 20-minute drive from Orange County Airport (SNA), and about an hour drive from LAX.

There is a fantastic Marriott Club Sport hotel about 3 miles from Soka University:

Marriott Renaissance ClubSport
50 Enterprise
Aliso Viejo, CA 92656
Reservations: 800-468-3571
Phone: 949-643-6700

There are many hotels in the area. Here is a link to other hotels near Soka University:

https://tinyurl.com/hotelsOC

The **Chicago** meeting is scheduled to be on **Saturday, September 26th, 2020** at 4:00 PM at**:**

Carlucci's Restaurant
(The Auditorium)
6111 North River Road, Rosemont, Illinois 60018 Tel. +1847.518.0990

Carlucci's is a five-minute taxi ride away from O'Hare airport. The Marriott Suites O'Hare and The Westin O'Hare are both next to the restaurant. In addition, there are a plethora of hotels in the vicinity. Good deals on O'Hare hotels are usually available on the major travel-related websites.

Agenda:

4:00 – 4:30 PM:	Meet and Greet
4:30 – 6:30 PM:	Presentation and Q&A
6:30 – 7:15 PM:	Cocktail Hour
7:15 PM:	Dinner (Chicago only)

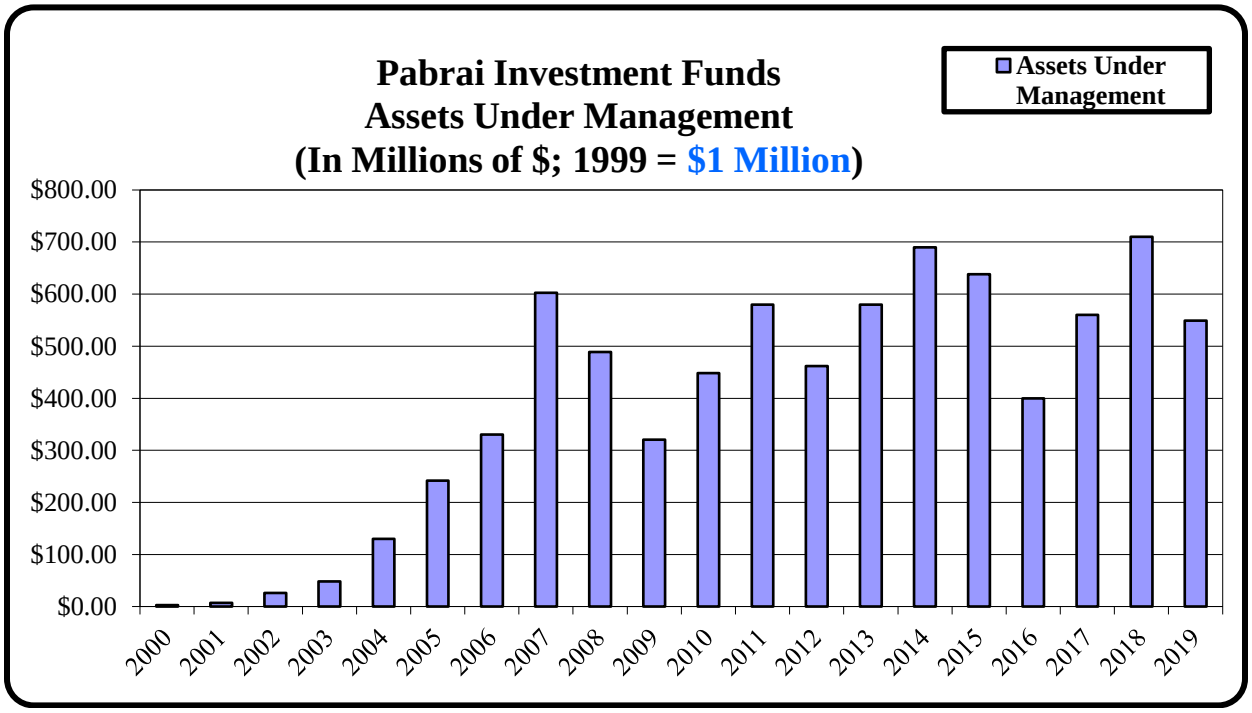
In lieu of dinner in California, we'll have an extended cocktail hour with expanded appetizers (multiple food stations), and lots of tables to sit and chat.

The invites will go out electronically via email in July 2020. Look for it in your inbox! If you don't receive it, please contact invite@pabraifunds.com. Your significant other and young kids are welcome to attend. As we are now a Registered Investment Advisor, the SEC requires that all guests must be "accredited investors," which includes your adult kids (22 years or older). The invitation is non-transferable.

I look forward to seeing you in September.

Assets Under Management

There is $549 million in assets under management between all the funds as of January 1, 2020.



It is a true joy to manage Pabrai Funds. I love it! 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

Note: Various indices are included throughout this letter for reference. Reference to an index or benchmark does not imply that the strategy will achieve returns, experience volatility, or have other results similar to the index. As an example, the Funds may invest in foreign securities or fixed income instruments; however the indices presented only include U.S. securities. These indices are purely a basket of stocks, and the Funds may invest in securities other than stocks such as bonds, warrants and preferred stocks. The Funds typically hold fewer than 10 positions as compared to 500 in the S&P, 30 in the DJIA, and thousands in the NASDAQ. Therefore, the Funds are significantly more concentrated than the benchmark indices and may experience notably higher volatility and return characteristics from these indices.

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Appendix A

PIF2's Performance History (Net to Investors)

No. of Units	Date	PIF2 NAV
110,000	10/01/2000	$10.00
330,014	06/30/2001	$11.74
1,027,795	06/30/2002	$15.89
1,950,982	06/30/2003	$21.32
2,445,212	06/30/2004	$29.58
2,696,687	06/30/2005	$36.52
2,646,687	06/30/2006	$41.99
3,013,111	06/30/2007	$56.25
2,934,990	06/30/2008	$38.01
2,468,091	06/30/2009	$28.45
2,409,165	06/30/2010	$40.84
2,257,421	06/30/2011	$55.46
2,180,892	06/30/2012	$43.36
2,057,676	06/30/2013	$61.68
1,906,927	06/30/2014	$78.13
1,795,006	06/30/2015	$74.64
1,684,602	06/30/2016	$52.26
1,774,805	06/30/2017	$86.17
1,959,084	06/30/2018	$106.77
1,896,122	06/30/2019	$86.30
1,896,122	09/30/2019	$82.56
1,806,558	12/31/2019	$90.81

PIF3's Performance History (Net to Investors)

No. of Units	Date	PIF3 NAV
65,100	02/01/2002	$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
5,415,189	12/31/2008	$10.57
5,038,658	12/31/2009	$23.79
4,885,267	12/31/2010	$31.95
4,701,613	12/31/2011	$26.92
4,318,818	12/31/2012	$33.21
4,384,591	12/31/2013	$48.70
4,290,222	12/31/2014	$49.61
3,805,336	12/31/2015	$41.33
2,433,652	12/31/2016	$42.27
2,409,693	12/31/2017	$88.45
2,473,097	12/31/2018	$51.42
2,476,293	01/31/2019	$53.24
2,476,201	02/28/2019	$47.02
2,476,187	03/31/2019	$53.39
2,478,225	04/30/2019	$53.43
2,478,198	05/31/2019	$53.46
2,500,362	06/30/2019	$52.56
2,512,257	07/31/2019	$50.45
2,512,257	08/31/2019	$49.98
2,507,061	09/30/2019	$50.05
2,552,805	10/31/2019	$51.92
2,552,805	11/30/2019	$54.32
2,376,897	12/31/2019	$57.85

PIF4's Performance History (Net to Investors)

No. of Units	Date	PIF4 NAV
595,030	10/01/2003	$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
15,737,042	12/31/2008	$ 6.66
15,725,066	12/31/2009	$14.57
15,251,129	12/31/2010	$19.05
14,493,713	12/31/2011	$16.24
12,398,564	12/31/2012	$18.85
11,560,683	12/31/2013	$27.53
10,642,015	12/31/2014	$28.03
9,531,764	12/31/2015	$23.71
8,792,042	12/31/2016	$25.21
8,040,030	12/31/2017	$40.96
7,809,565	12/31/2018	$31.64
7,809,521	03/31/2019	$35.77
7,878,550	06/30/2019	$36.27
7,877,825	09/30/2019	$34.51
6,628,989	12/31/2019	$37.33

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.