PABRAI INVESTMENT FUNDS

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To: All Limited Partners of The Pabrai Investment Funds

From: Mohnish Pabrai, Managing Partner

Date: April 8, 2003

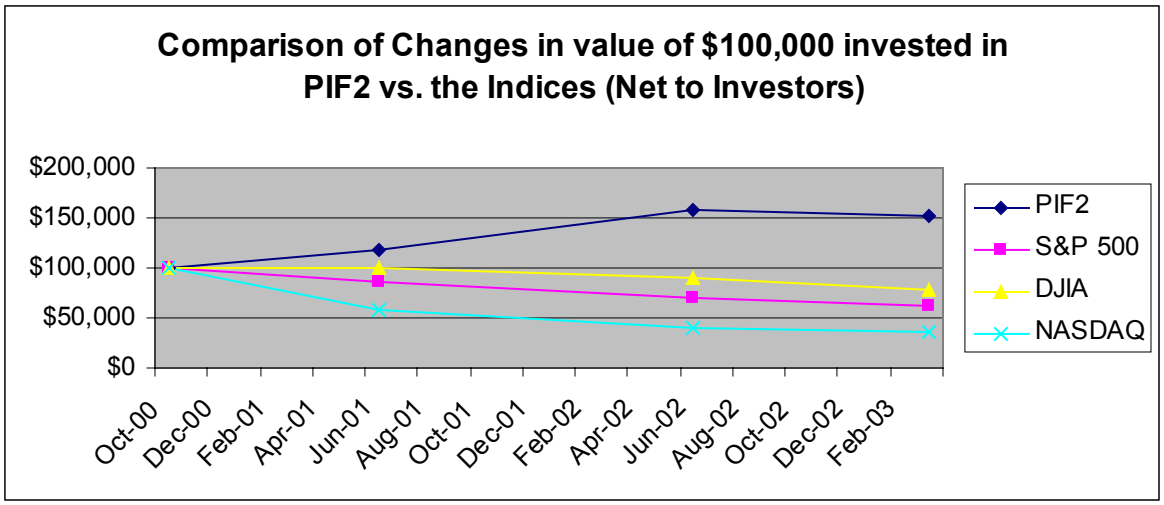
Re: **Updated Performance Numbers for all Funds**

Dear Partners:

A total of $1,575,000 was added to the Pabrai Funds on April 1, 2003. Funds were added in the US (PIF2) and Offshore fund (PIF3), hence all the performance data is updated below:

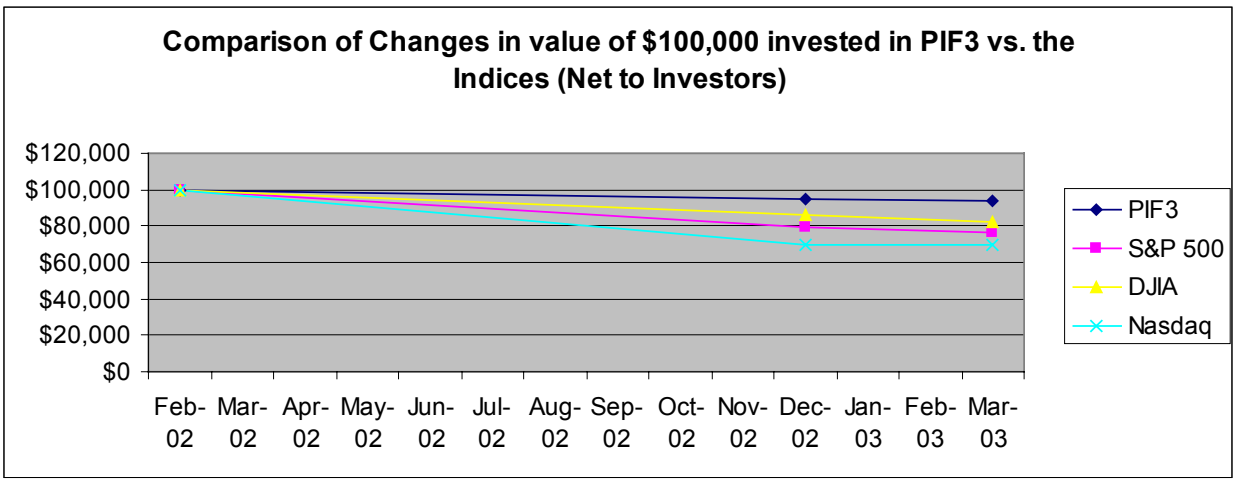
PABRAI INVESTMENT FUND 2 Performance Summary:

	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 – 3/31/03	**-12.0%**	**-8.0%**	**-13.1%**	**-4.9%**
1/1/03 – 3/31/03	**-3.6%**	**+0.6%**	**-3.2%**	**+6.9%**
Annualized	**-9.1%**	**-32.9%**	**-17.8%**	**+18.0%**
Cumulative	**-21.3%**	**-63.1%**	**-38.7%**	**+51.1%**



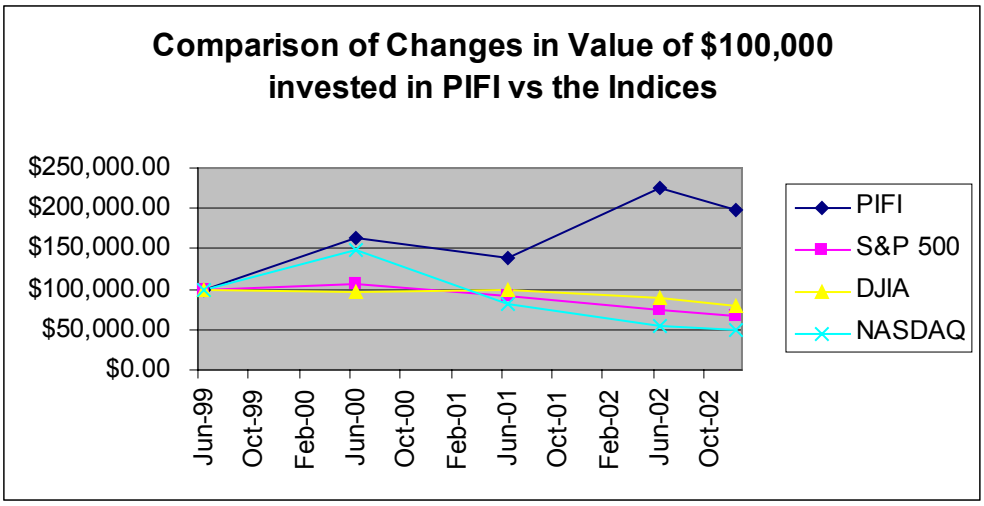
PABRAI INVESTMENT FUND 3 Performance Summary:

	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 – 3/31/03	**-3.6%**	**+0.6%**	**-3.2%**	**-0.6%**
Annualized	**-15.1%**	**-26.6%**	**-20.5%**	**-5.0%**
Cumulative	**-17.4%**	**-30.3%**	**-23.4%**	**-5.8%**



PABRAI INVESTMENT FUND I Performance Summary:
(closed and merged with PIF2 on 12/31/02)

	DJIA	NASDAQ	S&P 500	PIFI (net to investors)
7/1/99 - 6/30/00	**-3.3%**	**+48.0%**	**+7.2%**	**+50.5%**
7/1/00 – 6/30/01	**+2.1%**	**-45.4%**	**-14.8%**	**-8.3%**
7/1/01 – 6/30/02	**-10.3%**	**-32.7%**	**-18.0%**	**+63.6%**
7/1/02 – 12/31/02	**-8.7%**	**-10.3%**	**-8.5%**	**-12.6%**
Annualized	**-6.4%**	**-18.1%**	**-11.2%**	**+21.5%**
Cumulative	**-20.7%**	**-50.3%**	**-34.0%**	**+97.9%**



During the last two months PIF2 outperformed all three indices while PIF3 outperformed two of the three indices. All the funds have outperformed all the benchmark indices by wide margins since inception. Partners are best off focusing on long term performance results without trying to read too much into monthly or annual performance numbers.

The Pabrai Funds are 3¾ years old. An investment of $100,000 made at the outset of PIFI on July 1, 1999 rolled over into PIF2 on January 1, 2003 is now valued at $211,626 or an annualized return of **22.1%** (net to investors - after all fees and expenses). An investment over the same period in the best of the three indices (Dow) would have left investors with $76,445 or an annualized return of **-6.9%**. The results are far worse for the Nasdaq and S&P 500. The annualized outperformance of 29% against the best of the three indices is an anomaly. I am amazed at the degree of outperformance and am confident that our performance relative to the indices over the next 10 years will be inferior to the previous 3¾ years.

Future Performance Expectations

The Pabrai Funds continue to be valued at a huge discount to my perception of their intrinsic value. We own small parts of some very exceptional businesses and we bought our various stakes at great prices. Hence I remain very bullish on the future of the funds. Having said that, I'd like to point out that good investment ideas continue to be scarce. As an example, there have been no new investment ideas I've been able to come up with in all of 2003 so far. And it's not because I've slacked off or raised the bar. Even when the Dow went to 7500, nothing new was even mildly attractive as a purchase. Not finding good investing ideas for several months at a time is pretty common and I'm very comfortable reading and waiting for that rare fat pitch.

I do expect the Pabrai Funds to outperform the best of the three indices over the long haul. I have no idea by how much we will outperform, but am willing to wager that it will be less than 29% annualized. Partners would be best off setting their expectations for The Pabrai Investment Funds to outperform the best of the three indices by a small margin over the long haul.

Alignment of Interests

To date, I have always reinvested all my fees back into the partnerships. Dalal Street, the investment manager that I own, has 138,019.49 units of PIF2. Based on last published NAV, this stake is worth about $2.1 Million. Thus I have a deep vested interest in the future performance of The Pabrai Funds. When you win, I win. Our interests are completely aligned.

K-1's and Tax Planning

This year our K-1's for PIF2 went out pretty late in the 3rd week of March. I am working with Michael J. Liccar & Co and Pricewaterhouse Coopers to make sure that they are sent to all partners no later than March 1 of each year. I'm sorry for the delay this year and am focused on ensuring timely K-1's in the future.

In order to facilitate optimal tax planning for all partners, I'll also provide a heads-up to all partners on the net realized gains or losses for the entire partnership two times each year. The first will be in mid-October and it will include the data through Sept. 30. This will enable partners to request redemptions if they need funds to cover any tax liability. The second datapoint will be in mid-December and will include data through Nov. 30. This will enable partners to take any offsetting action in their other investments to optimize their tax bill prior to year-end.

In both cases, to keep costs down, I'll only be providing data at the fund-level. Individual taxable gains/losses are dependent upon the entry dates and amounts of your various investments in PIF2. You can get a rough idea of your share by pro-rating

for your stake in the fund. As I have always done, if any partners request exact data on their specific tax liability as of the end of November, I'll have Liccar run the numbers and have it to you by mid-December.

I should have provided the heads-up data advance data on realized gains/losses since inception. It's entirely my mistake and I am sorry for this oversight. It's been fixed and in the future partners will always have the necessary data to plan and optimize their respective tax situations.

On the subject of taxes, I'd like to restate that PIF2 is run in a tax-sensitive manner, but not overly focused on tax-optimization. We have about 90 partners with a divergent range of tax situations – ranging from IRA's that are agnostic about taxes to retirees who have substantial assets with minimal income and are sensitive to tax implications. I'll try to do my best to minimize tax implications as long as performance does not suffer much at its expense.

Talk at Kellogg School of Management

I enjoy interacting with students and on March 5, 2003 was invited back by the Investment Club at Northwestern University's Kellogg School of Management to speak. The presentation was entitled

Correlations between Leadership Traits and Equity Investment Performance

Most of the speech content and rich Q&A sessions are, unfortunately, not on the slides. However, the interested reader could glean much of that by reading an article I wrote in the past that encapsulates some of the thesis of the talk – although with different examples:

All you need is Love (Silicon India Magazine, March '02)

I wrote two articles recently that you might find interesting reading.

On Feb. 24, 2003, The Street.com ran Retailers Aren't Worth the Risk and on March 25, 2003, TheStreet.com ran The Sure Bet of Corporate Morticians. If you are not a subscriber to TheStreet.com, you can read both of them on funds' website. Here are the links to the PDF Versions:

Retailers Aren't Worth the Risk - PDF Version

The Sure Bet of Corporate Morticians - PDF Version

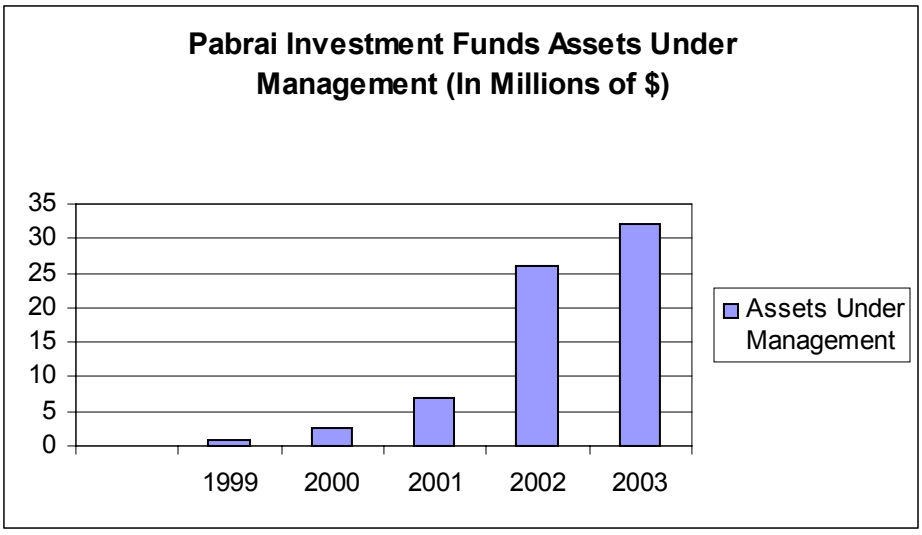
Next Opening – June 1, 2003

There are now 89 investors in PIF2 and, per SEC rules, the fund will close to new investors once we reach a count of 100 investors. Many prospective investors have commented that while they have an interest in becoming partners, the $400,000 minimum investment is too steep a starting point. Based on this feedback, I am allowing new investors interested joining PIF2 to start with either:

1. $100,000 at the outset with a commitment to add at least $400,000 more over the next 24 months. If, for whatever reason, they don't fulfill the promise, then at my discretion I could ask them to redeem their interest and exit the partnership at the end of 2005. This way they can time the remaining $400,000 gradually over the next 2 years as they feel comfortable. It also ensures that each remaining partnership slot is effectively used.

2. $400,000 at the outset with no mandatory required contributions in the future.

The minimum investment to join the funds as a new partner remains unchanged at $100,000 for PIF3 – which is limited to offshore investors. The next opening for both funds is on June 1, 2003. Existing partners can add funds in increments of $25,000 at each opening (with a $25,000 minimum). Assets under management are about $32 Million as of 4/1/03.



Pabrai Funds Relocating to Irvine, California – June 1, 2003

A few weeks back I had provided a heads-up to all partners that my family and I had decided to relocate to Southern California over the summer of '03. Things have moved along at a rapid pace. After scanning the landscape from Los Angeles to San Diego, we simply fell in love with the Central Orange County/Irvine area with its excellent school system, terrific location, great weather and overall quality of life. We bought a home in Irvine in early March and our home in Long Grove, Illinois subsequently sold in a few days.

I recently signed a lease for a small office in Lake Forest, California - about 6 miles from our new home. The email and website addresses remain unchanged. The new contact info (effective June 1, 2003) is:

Pabrai Investment Funds
17 Spectrum Pointe Drive
Suite 503
Lake Forest, CA 92630

Tel. +1949.275.5652
Fax. TBD

As I had mentioned earlier, there are no plans to change any of the seasoned service providers for the funds. PwC will remain the auditors. Michael J. Liccar & Co. will continue to provide accounting and administration services. Merrill Lynch shall remain our custodian and Sonnenschein remains the legal counsel.

I will, unfortunately, be losing Beth Stein. She's been simply terrific and I don't know how I would have managed without her. As it turns out, Beth has started working part-time for one of the limited partners of the Pabrai Funds. Works out perfectly for all parties to have a smooth transition as we close the Buffalo Grove office on May 31, 2003.

I will be beginning my search for Beth's replacement over the next few weeks and would welcome any referrals anyone might have.

Annual Meetings

Going forward, I plan to hold the annual meeting sequentially at two locations – Chicago and Irvine, California. It'll cut the commute of our lone Hawaii-based partner in half!

The Chicago meeting is scheduled to be on Saturday, Sept. 13, 2003 at 4:00 PM at the same venue as the last 2 years:

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

Agenda:

4:00 – 6:00 PM: Presentation and Q&A
6:00 – 7:00 PM: Cocktail Hour
7:00 – 9:00 PM: Dinner

The Irvine, California meeting will be on Saturday, Sept. 20, 2003 at 4:00 PM at a yet to be determined location.

Thanks for your continued interest, referrals and support. Feel free to call me at +1847.224.5022 or email me at mpabrai@pabraifunds.com with any queries or comments.

Warm Regards,



Mohnish Pabrai

Appendix A

PIF2's Net Asset Value Details

NAV after all expenses (including accruals) is **$15.11/unit.**

The previous NAV high after fees is $17.43 set on 6/1/02. Since the NAV is below the previous historical high, there is a no fee is payable to Dalal Street (General Partner) at this time. PIF2 is up **51.1%** since inception AFTER all fees and expenses - or an annualized rate of **18.0%.**

$1,525,000 was added to PIF2 on 4/1/03.

Total units outstanding as of 2/1/03 are **1,788,419**

PIF2's Performance History (Net to Investors)

No. of Units	Date	PIF2 NAV Net to Inv.
110000	10/1/2000	$10.00
330014	6/30/2001	$11.74
1027795	6/30/2002	$15.89
1311202	7/31/2002	$13.62
1332227	9/30/2002	$10.70
1350344	11/30/2002	$14.35
1626158	12/31/2002	$14.13
1687493	1/31/2003	$14.27
1788419	3/31/2003	$15.11

PIF3's Performance BEFORE and AFTER fees and expenses vs. the Indices.

NAV after all expenses (including accruals) is **$9.42/unit.**

The previous NAV high after fees is $11.01 set on 4/1/02. Since the NAV is below the previous historical high, there is a no fee is payable to Dalal Street (General Partner) at this time. PIF3 is down **5.8%** since inception twenty six months ago AFTER all fees and expenses - or an annualized rate of -**5.0%.** Total units outstanding as of 4/1/03 are **271,250**

No. of Units	Date	PIF2 NAV Net to Inv.
65100	1/25/2002	$10.00
255836	3/29/2002	$11.01
281742	7/31/2002	$9.65
265919	12/31/2002	$9.48
268596	1/31/2003	$9.34

271250 3/31/2003 $9.42

PIFI's Net Asset Value Details

NAV after all expenses (including accruals) was **$19.79/unit** as of 12/31/02 and PIFI was merged into PIF2 on 12/31/02. All the PIFI investors elected to move their units across to PIF2 at a ratio of 1.4 PIF2 units for every outstanding PIFI unit.

No. of Shares	Date	PIFI NAV Net to Inv.
100000	7/1/99	$10.00
164453	6/30/00	$15.05
230480	6/30/01	$13.78
216027	6/30/02	$22.54
216027	12/31/02	$19.79

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.