PABRAI INVESTMENT FUNDS

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

From: Mohnish Pabrai, Managing Partner

Date: April 18, 2012

Re: **Q1 2012 Results et. al.**

Dear Partners:

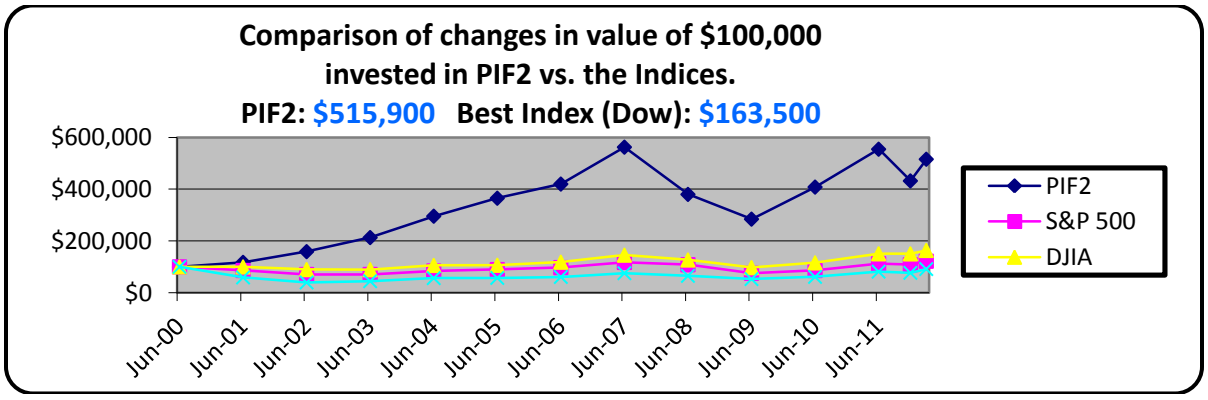
For the quarter ended March 31, 2012, $5000 was added to PIF4 by the retirement plan for team members of Dalal Street, LLC.

The funds are closed to additions at this time (from existing and new investors). However, as an exception, my family and the retirement plan for Dalal Street, LLC are allowed to add funds. If and when the funds re-open to new funds/investors, it will be mentioned in the letter to partners.

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%**
7/1/07-6/30/08	**-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%**
7/1/11-3/31/12	**+8.6%**	**+12.4%**	**+8.4%**	**-7.0%**
1/1/12-3/31/12	**+8.8%**	**+19.0%**	**+12.6%**	**+19.9%**
Annualized	**+4.4%**	**-0.8%**	**+1.7%**	**+15.3%**
Cumulative	**+63.5%**	**-8.4%**	**+21.9%**	**+415.9%**

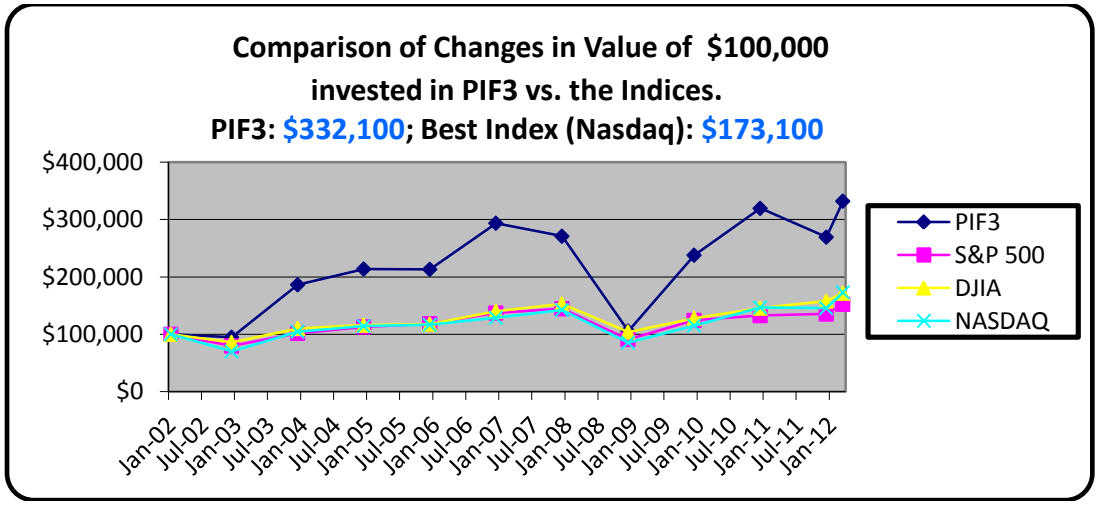


PIF2 Investors:

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 $722,800 as of March 31, 2012 (net to investors). This equates to an annualized return of 16.8% 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 $161,800 on March 31, 2012 – an annualized gain of 3.8%. 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 (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%**
1/1/12-3/31/12	**+8.8%**	**+19.0%**	**+12.6%**	**+23.4%**
Annualized	**+5.5%**	**+5.5%**	**+4.2%**	**+12.5%**
Cumulative	**+71.6%**	**+73.1%**	**+52.3%**	**+232.1%**

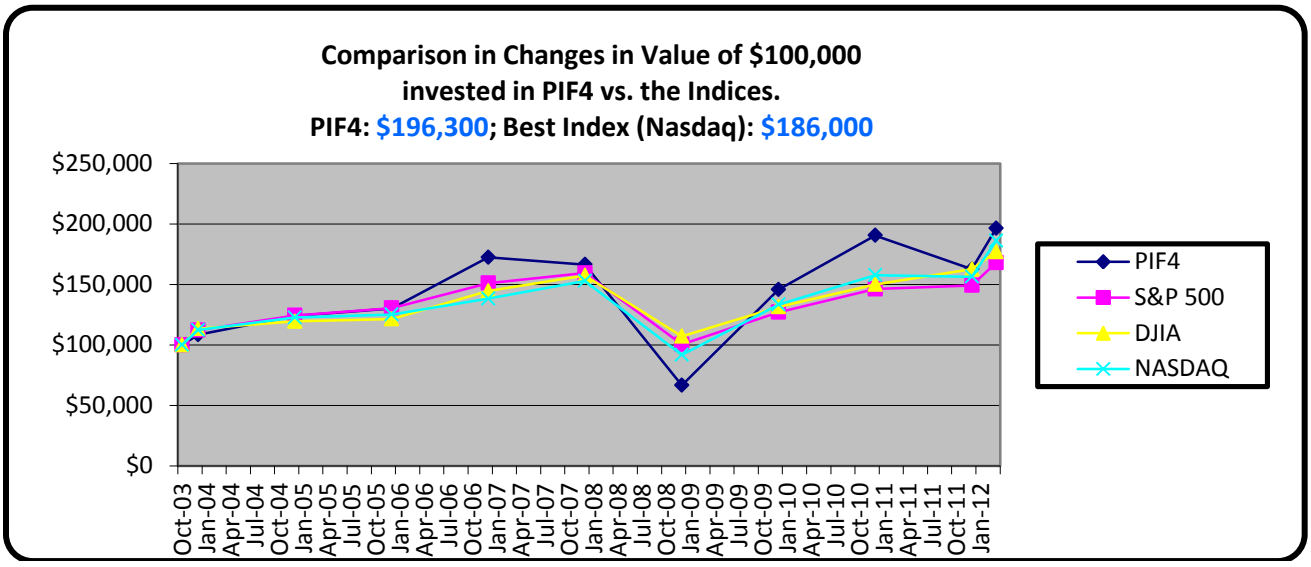


PIF3 Investors:

A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $332,100 as of March 31, 2012 (net to investors). This equates to an annualized return of 12.5% 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 $173,100 on March 31, 2012 – an annualized gain of 5.5%. The Nasdaq gains include reinvested dividends. In the graph above, the start date for PIF3 is shown as Jan. 1, 2002 for readability. The correct start date is Feb. 1, 2002.

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%**
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%**
1/1/12-3/31/12	**+8.8%**	**+19.0%**	**+12.6%**	**+20.9%**
Annualized	**+6.9%**	**+7.6%**	**+6.3%**	**+8.3%**
Cumulative	**+76.9%**	**+86.0%**	**+67.9%**	**+96.3%**



PIF4 Investors:

A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $196,300 as of March 31, 2012 (net to investors). This equates to an annualized gain of 8.3% since inception. The best index over the same period was the Dow and an investment of $100,000 in Nasdaq on October 1, 2003 was worth $186,000 on March 31, 2012 – an annualized gain of 7.6%. The Dow gains include reinvested dividends.

Annual Report

Our modus operandi is now 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 2011 Annual Report is posted on our website and can be viewed at:

http://www.pabraifunds.com/website/AR_2011.pdf

A hard copy will be mailed to you in a few weeks as well. I hope you enjoy reading it as much as I enjoyed writing it.

2011 Annual Meeting Transcript

The 2011 Annual Meeting Transcript is posted on our website. It can be viewed at:

http://www.pabraifunds.com/website/2011_PIF_AM_Transcript.pdf

The transcript is best read in conjunction with the slides:

http://www.pabraifunds.com/website/2011_PIF_AM_Slides.pdf

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 372,782 units of PIF2; 8,417 units of PIF3; 1,224,824 units of PIF4 and about 33,000 units of PIF4 in a retirement account. This stake is worth around $45 Million.

Besides the previously disclosed stake and small investment in Dardashti Capital (worth about $1.1 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.

Final K-1's (for US Investors)

For PIF2 and PIF4 investors, your final K-1s were emailed to you (password protected) around April 5, 2012. The K-1's were delayed by a late arriving K-1 from an underlying fund that was required information to complete the Pabrai K-1s. We no longer hold this investment, and next year the K-1s will be sent to you much earlier – by mid-March. If you (or your accountant) are still waiting for the K-1, please nudge Nickii at naleo@pabraifunds.com and she'll get it to you it immediately.

Ben Graham Centre's 2012 Value Investing Conference

On April 25, 2012, The Ben Graham Centre for Value Investing (at the Richard Ivey School of Business in Ontario, Canada) is hosting a value investing conference in Toronto. I am presenting at this conference and the topic is "Ben Graham's net-nets are alive, well and working in 2012".

Here is the link to the conference:

http://www.bengrahaminvesting.ca/Outreach/2012_conference.htm

PIF3 NAV Error

There was an error in the PIF3 performance reporting in the January '12 and February '12 statements. The NAV was overstated by 0.3% and 0.2%, respectively. This error was due to a foreign dividend receivable in Japanese Yen that was incorrectly accrued in US$ vs. Yen. We have already changed the administrator of this fund from Folio Administrators to Michael J. Liccar, and the team at Liccar found this error. Corrected statements for January and February are being prepared and will be sent to our PIF3 investors. This is the first time we've had to reissue statements due to a NAV error – and I sincerely regret it.

2012 Annual Meetings – Save the Date

As is our usual modus operandi, there will be two annual meetings sequentially at Orange County, California & Chicago, Illinois. Please note that the dates of the Annual Meeting have changed since the January Letter to Partners.

The **California** meeting is scheduled to be on **Saturday, Sept. 15, 2012** at 4:00 PM at a new venue:

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

Soka's Performing Arts center is brand new and amazing. We think you'll be very happy with the change.

The Chicago meeting is thus scheduled to be on **Saturday, Sept. 22, 2012** 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.

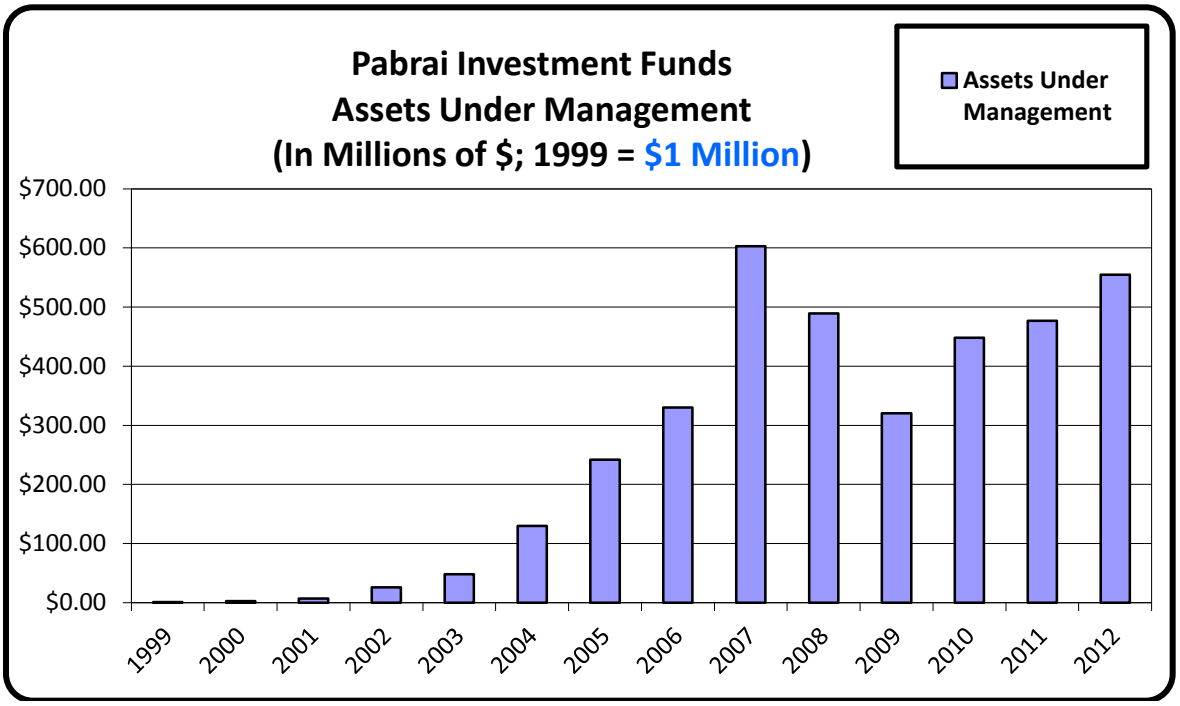
Agenda:

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

The invites will go out in July, 2012. Your significant other and kids of all ages are welcome to attend. I look forward to seeing you in September.

Assets Under Management

There is over $553 Million in assets under management between all the funds as of March 31, 2012.



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

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Appendix

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
2,934,990	6/30/2008	$38.01
2,468,091	6/30/2009	$28.45
2,409,165	6/30/2010	$40.84
2,257,421	6/30/2011	$55.46
2,257,421	9/30/2011	$43.65
2,180,892	12/31/2011	$43.01
2,180,892	3/31/2012	$51.59

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
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
4,701,613	1/31/2012	$31.24
4,701,613	2/29/2012	$32.96
4,701,613	3/31/2012	$33.21

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
15,737,042	12/31/2008	$6.66
15,725,066	12/31/2009	$14.57
15,251,129	12/31/2010	$19.05
14,493,835	12/31/2011	$16.24
14,494,087	3/31/2012	$19.63

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.