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 11, 2014

Re: **Q1 2014 Results et. al.**

Dear Partners:

For the quarter ended March 31, 2014, $1.8 million was added to PIF3 by existing partners.

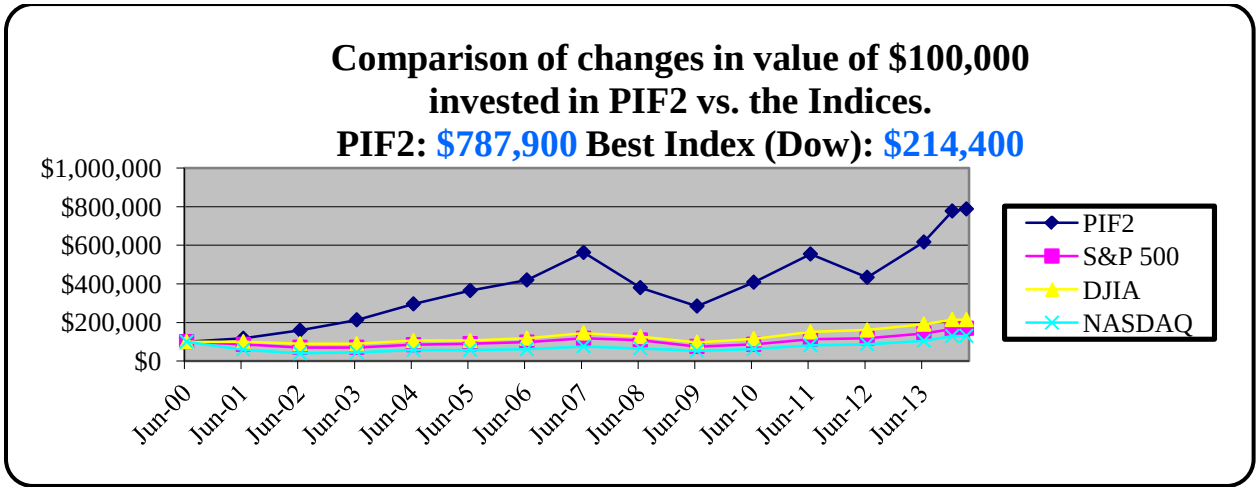
As a reminder, while PIF2 and PIF4 are closed to new investors (or additions from existing investors), PIF3 re-opened to new money from existing or new investors on August 1, 2012. PIF3 is our offshore fund for Accredited Investors and Institutions based outside the United States. To invest in PIF3, one needs to be a non-US accredited offshore investor, private foundation, endowment, or IRA.

The minimum investment to join as a new partner is $2.5 million for individuals and $10 million for IRAs/Foundations/Endowments. For current investors, the minimum addition to their current investment is $25,000. The next opening is on May 1, 2014. If you are interested or would like more information, please contact Julie Teltscher or me at jteltscher@pabraifunds.com and mp@pabraifunds.com, respectively.

The updated performance numbers on all the funds are:

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

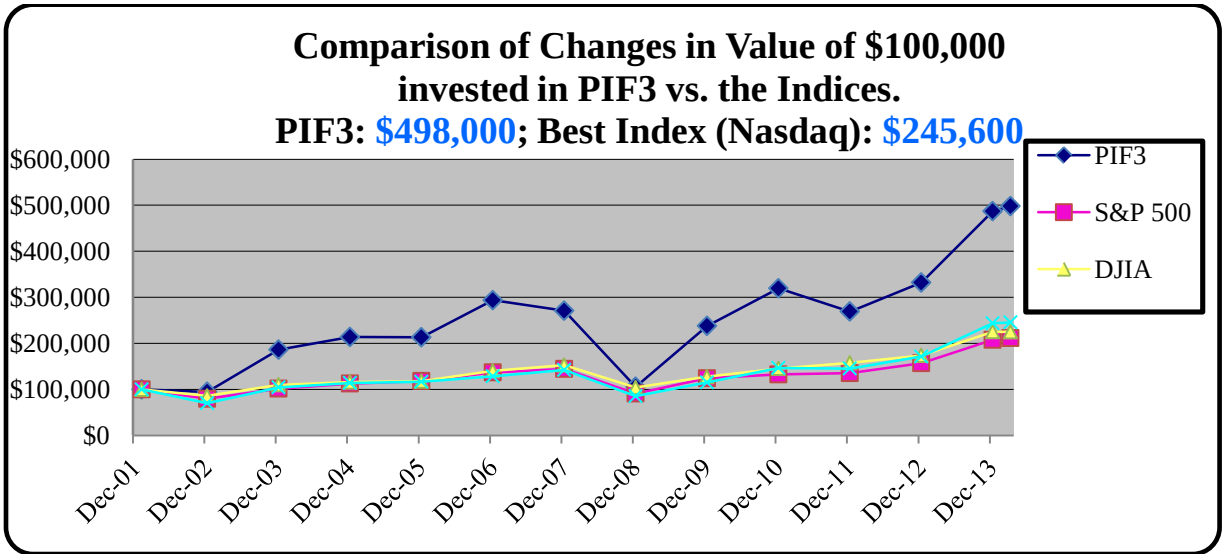
	DJIA	NASDAQ	S&P 500	PIF2 (net to investors)
10/1/00-6/30/01	**-0.2%**	**-41.0%**	**-14.0%**	**+17.4%**
7/1/01-6/30/02	**-10.3%**	**-32.7%**	**-18.0%**	**+35.3%**
7/1/02-6/30/03	**-0.5%**	**+11.4%**	**+0.3%**	**+34.2%**
7/1/03-6/30/04	**+18.6%**	**+26.8%**	**+19.1%**	**+38.7%**
7/1/04-6/30/05	**+0.7%**	**+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%**
7/1/11-6/30/12	**+5.2%**	**+5.4%**	**+3.9%**	**-21.8%**
7/1/12-6/30/13	**+18.9%**	**+17.8%**	**+20.6%**	**+42.2%**
7/1/13-3/31/14	**+12.4%**	**+24.6%**	**+18.4%**	**+27.7%**
1/1/14-3/31/14	**-0.2%**	**+0.8%**	**+1.8%**	**+1.3%**
Annualized	**+5.8%**	**+2.0%**	**+4.0%**	**+16.5%**
Cumulative	**+114.4%**	**+29.9%**	**+69.3%**	**+687.9%**



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 $1,103,900 as of March 31, 2014 (net to investors). This equates to an annualized return of 17.7% 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 $212,200 on March 31, 2014 – an annualized gain of 5.2%. 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:

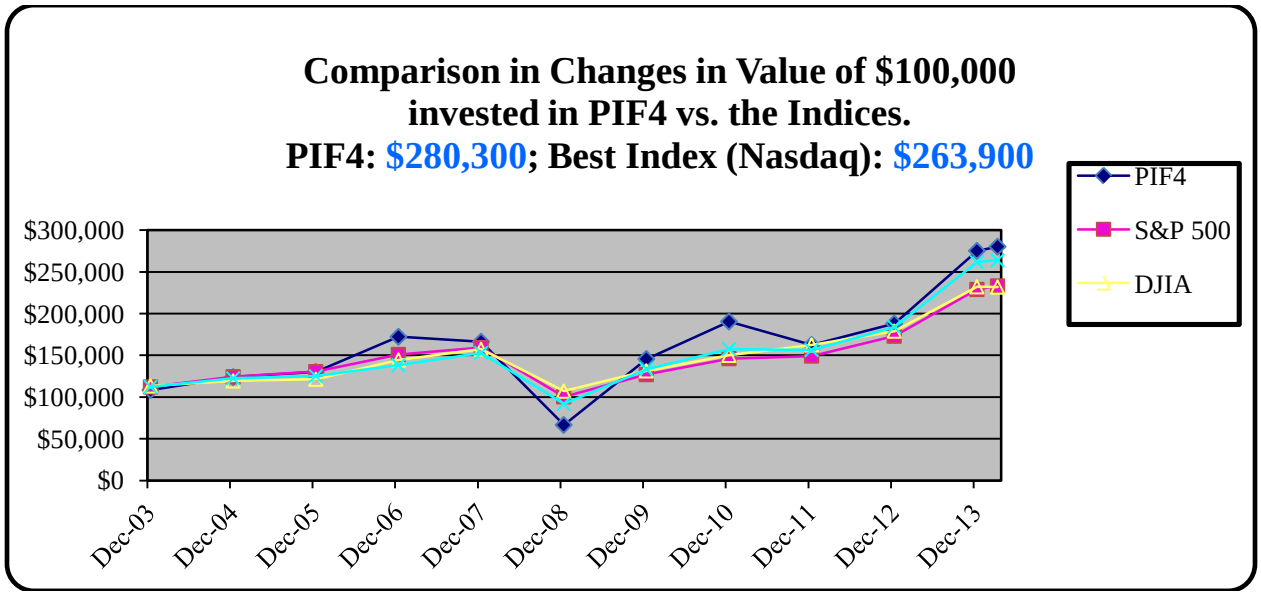
	DJIA	NASDAQ	S&P 500	PIF3 (net to investors)
2/1/02-12/31/02	**-14.1%**	**-29.9%**	**-20.4%**	**-5.2%**
1/1/03-12/31/03	**+28.3%**	**+50.8%**	**+28.7%**	**+96.5%**
1/1/04-12/31/04	**+5.3%**	**+9.2%**	**+10.9%**	**+14.7%**
1/1/05-12/31/05	**+1.7%**	**+2.1%**	**+4.9%**	**-0.2%**
1/1/06-12/31/06	**+19.0%**	**+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%**
1/1/12-12/31/12	**+10.2%**	**+17.7%**	**+16.0%**	**+23.4%**
1/1/13-12/31/13	**+29.6%**	**+40.2%**	**+32.4%**	**+46.6%**
1/1/14-3/31/14	**-0.2%**	**+0.8%**	**+1.8%**	**+2.3%**
Annualized	**+6.9%**	**+7.7%**	**+6.3%**	**+14.1%**
Cumulative	**+125.0%**	**+145.6%**	**+111.5%**	**+398.0%**



PIF3 Investors:
A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $498,000 as of March 31, 2014 (net to investors). This equates to an annualized return of 14.1% 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 $245,600 on March 31, 2014 – an annualized gain of 7.7%. 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 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%**
1/1/12-12/31/12	**+10.2%**	**+17.7%**	**+16.0%**	**+16.1%**
1/1/13-12/31/13	**+29.6%**	**+40.2%**	**+32.4%**	**+46.0%**
1/1/14-3/31/14	**-0.2%**	**+0.8%**	**+1.8%**	**+1.8%**
Annualized	**+8.3%**	**+9.7%**	**+8.4%**	**+10.3%**
Cumulative	**+131.9%**	**+163.9%**	**+133.2%**	**+180.3%**



PIF4 Investors:
A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $280,300 as of March 31, 2014 (net to investors). This equates to an annualized gain 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 October 1, 2003 was worth $263,900 on March 31, 2014 – an annualized gain of 9.7%. The Nasdaq gains include reinvested dividends. In the graph above, the start date for PIF4 is shown as Dec 31, 2003 for readability. The correct start date is Oct. 1, 2003.

General Comments

All three funds had small gains in Q1 – and all three are at all time highs. Even though the funds' NAV may appear to signal "overvalued," reality is quite different. We own some amazing assets that are worth considerably more than reflected even in these elevated NAVs. This bodes well for our future.

After a 21-month drought of new investments, I have finally run across a few interesting investment ideas that I am researching. We've already begun to buy one, but it has a small market cap and even smaller float. I do not think we'll be able to get a meaningful position, but I am buying as much as we can while the price remains attractive.

Alignment of Interests

My immediate family has a stake of 276,318 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. In addition, the administrative team at Pabrai Funds owns about 1,300 units of PIF4 and about 5,900 units of PIF3 in various retirement accounts. The aggregate stake in Pabrai Funds of the Pabrai family and staff at Pabrai Funds is worth over $57 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. Two of the three funds (PIF3 and PIF4) are finally in performance fee earning territory. PIF3 earned about $544,000 in fees in Q1 2014 and PIF4 earned fees of about $6,000. Yes, it just went over the 6% annualized over last all time high thresholds. PIF4 fees were reinvested into PIF4. PIF3 is an offshore fund and I have to take those fees in cash. It helps run the place!

Besides a $9 million investment in Dhandho Holdings, my family and I have no other meaningful interests in any other mutual funds, hedge funds or private equity funds. Our interests are completely aligned.

Annual Report – Will be out in May 2014

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 annual report is slated to be published in May, 2014.

Speaker at TiECON Southwest

I gave a presentation on Getting Customers, Scaling and Building Brand on February 26, 2014.

Here is the link to my presentation:

https://vimeo.com/89140080

Presentation to Clemson University's Wall Street South Club

I had a discussion/presentation via Adobe Connect with students of the Clemson University's Wall Street South Club on March 3, 2014. As some of you may know I graduated from Clemson 28 years ago (time flies!) with a degree in Computer Engineering. I took as many classes in Econ/Investing and Accounting classes as I could in the business school in Sirrine Hall – the same building the Wall Street South cub members gathered at for the session.

Here is a link to this discussion:

http://connect.clemson.edu/p5p8l4xcy35/

Final K-1's (for US Investors)

For PIF2 and PIF4 investors, your final K-1s were emailed to you (password protected) in 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 immediately.

2014 Annual Meetings – Save the Date

As is our usual modus operandi, there will be two annual meetings sequentially at Orange County, California & Chicago, Illinois.

The **California** meeting is scheduled to be on **Saturday, Sept. 13, 2014** 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:

http://tinyurl.com/8dmevvu

The **Chicago** meeting is thus scheduled to be on **Saturday, Sept. 20, 2014** 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.

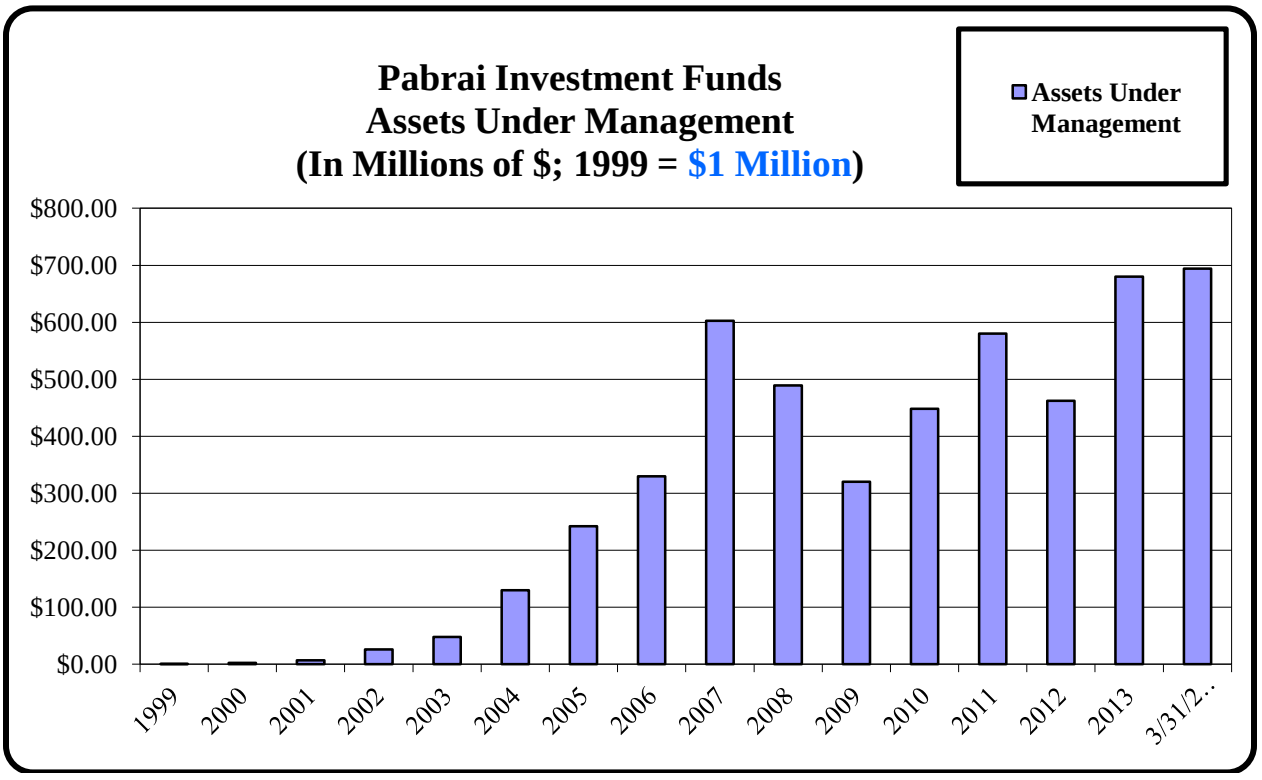
Agenda:

4:00 – 4:30 PM:	Meet and Greet
4:30 – 6:30 PM:	Presentation and Q&A
6:30 – 7:15 PM:	Cocktails
7:15 PM:	Dinner

The invites will go out in July, 2014. 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 $695 million in assets under management between all the funds as of March 31, 2014.



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
2,180,892	6/30/2012	$43.36
2,057,676	6/30/2013	$61.68
2,057,676	9/30/2013	$68.83
1,906,927	12/31/2013	$77.75
1,906,927	3/31/2014	$78.79

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
4,318,818	12/31/2012	$33.21
4,384,591	12/31/2013	$48.70
4,389,247	1/31/2014	$48.32
4,416,152	2/28/2014	$49.43
4,421,716	3/31/2014	$49.80

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
14,493,713	12/31/2011	$16.24
12,398,564	12/31/2012	$18.85
11,560,683	12/31/2013	$27.53
11,560,683	3/31/2014	$28.03

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.