PABRAI INVESTMENT FUNDS

1220 Roosevelt, Suite 200
Irvine, CA 92620-3675
USA

Tel. +1949.453.0609
mp@pabraifunds.com
www.pabraifunds.com

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

From: Mohnish Pabrai, Managing Partner

Date: April 18, 2016

Re: **Q1 2016 Results et. al.**

Dear Partners:

For the quarter ended March 31, 2016, $550,000 was added to PIF3 by new investors.

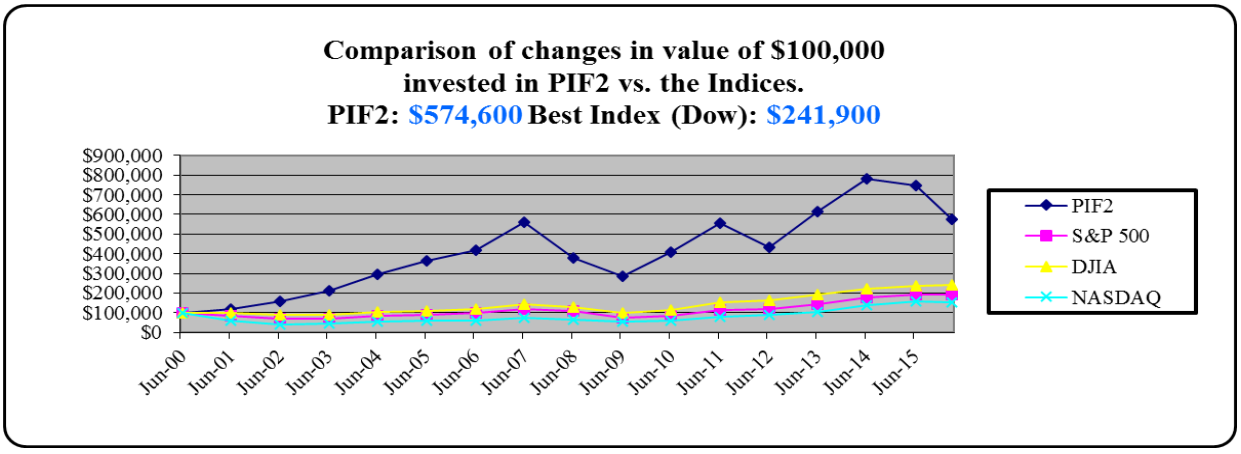
As a reminder, PIF2 and PIF4 are closed to new investors (or additions from existing investors), and only PIF3 is open to new money from existing or new investors. PIF3 is our offshore fund for Accredited Investors and Institutions based outside the United States. To invest in PIF3, one needs to be a 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, 2016. 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:

THE PABRAI INVESTMENT FUND II (US Accredited Investors) Performance Summary:

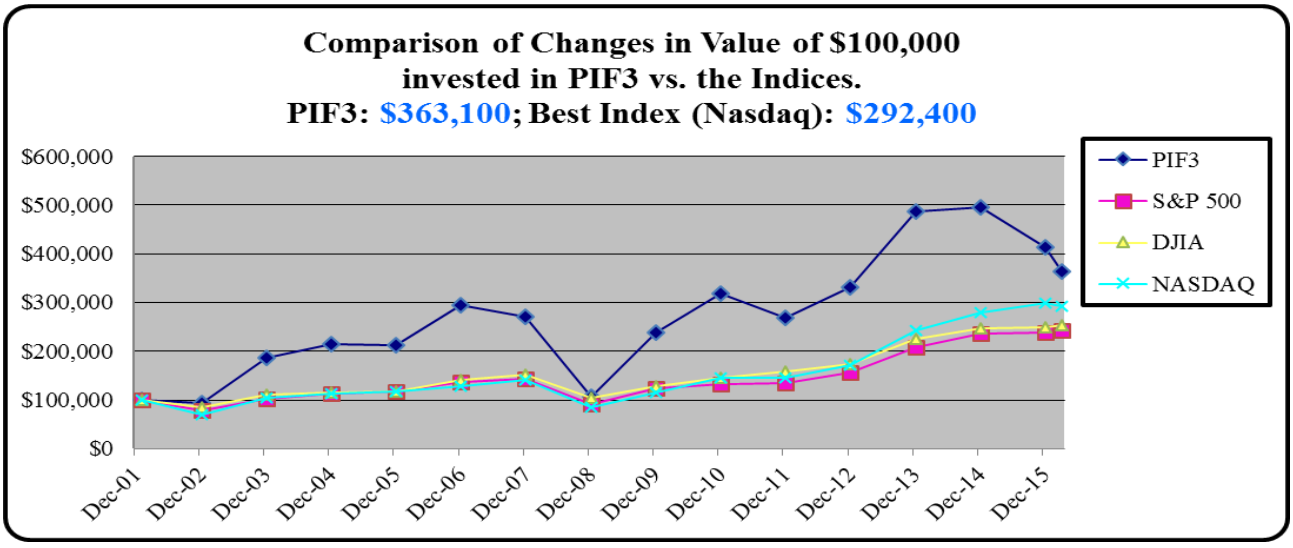
	DJIA	NASDAQ	S&P 500	PIF2 (net to investors)
10/1/00-6/30/01	-0.2%	-41.0%	-14.0%	+17.4%
7/1/01-6/30/02	-10.3%	-32.7%	-18.0%	+35.3%
7/1/02-6/30/03	-0.5%	+11.4%	+0.3%	+34.2%
7/1/03-6/30/04	+18.6%	+26.8%	+19.1%	+38.7%
7/1/04-6/30/05	+0.7%	+1.1%	+6.3%	+23.4%
7/1/05-6/30/06	+11.1%	+6.5%	+8.6%	+15.0%
7/1/06-6/30/07	+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%
7/1/15-3/31/16	+2.4%	-1.4%	+1.5%	-23.0%
1/1/16-3/31/16	+2.2%	-2.4%	+1.3%	-9.5%
Annualized	+5.9%	+2.8%	+4.4%	+11.9%
Cumulative	+141.9%	+54.6%	+94.1%	+474.6%



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 $805,000 as of March 31, 2016 (net to investors). This equates to an annualized return of 13.3% 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 $239,500 on March 31, 2016 – an annualized gain of 5.3%. 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 (Offshore/IRA Investors) Performance Summary:

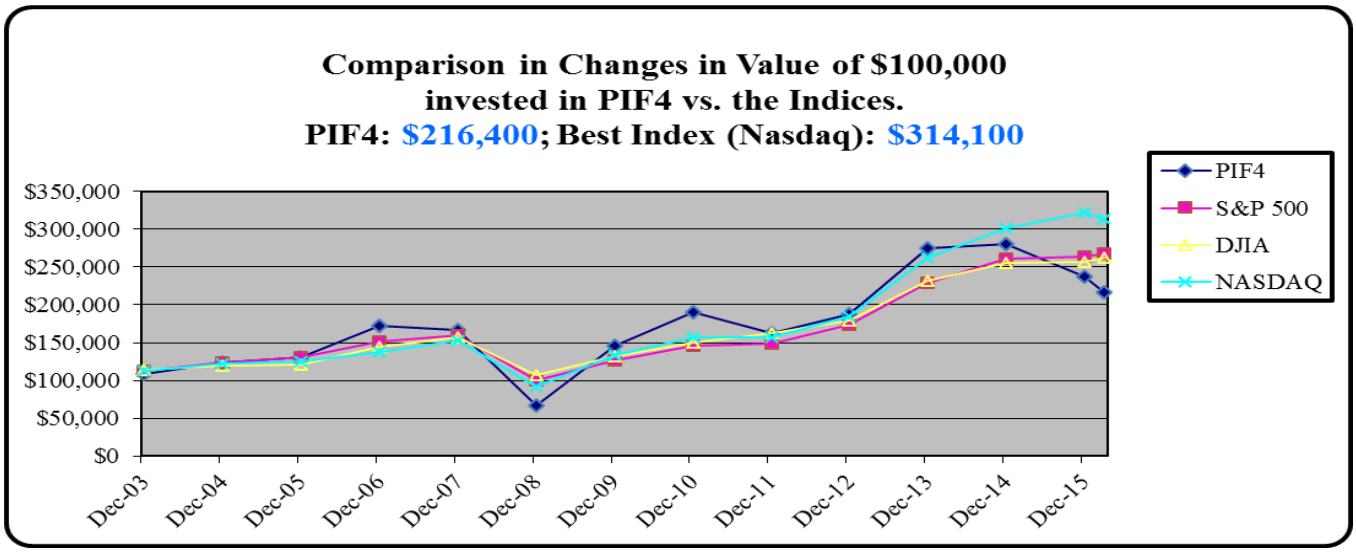
	DJIA	NASDAQ	S&P 500	PIF3 (net to investors)
2/1/02-12/31/02	-14.1%	-29.9%	-20.4%	-5.2%
1/1/03-12/31/03	+28.3%	+50.8%	+28.7%	+96.5%
1/1/04-12/31/04	+5.3%	+9.2%	+10.9%	+14.7%
1/1/05-12/31/05	+1.7%	+2.1%	+4.9%	-0.2%
1/1/06-12/31/06	+19.0%	+10.4%	+15.8%	+37.8%
1/1/07-12/31/07	+8.9%	+10.7%	+5.5%	-7.8%
1/1/08-12/31/08	-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%
1/1/16-3/31/16	+2.2%	-2.4%	+1.3%	-12.1%
Annualized	+6.8%	+7.9%	+6.5%	+9.5%
Cumulative	+153.9%	+192.4%	+142.5%	+263.1%



PIF3 Investors:
A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $363,100 as of March 31, 2016 (net to investors). This equates to an annualized return of 9.5% 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 $292,400 on March 31, 2016 – an annualized gain of 7.9%. 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.

THE PABRAI INVESTMENT FUND IV (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%
1/1/16-3/31/16	+2.2%	-2.4%	+1.3%	-8.7%
Annualized	+8.0%	+9.6%	+8.2%	+6.4%
Cumulative	+161.7%	+214.1%	+167.5%	+116.4%



PIF4 Investors:
A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $216,400 as of March 31, 2016 (net to investors). This equates to an annualized gain of 6.4% 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 $314,100 on March 31, 2016 – an annualized gain of 9.6%. 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

The funds were down between 9-12% for the quarter while the various indices ranged from -2% to +2%. About 2% of the NAV loss for the funds related to the residual impact from Horsehead. The rest of it mainly relates to unrealized losses on our two largest positions, Fiat Chrysler and General Motors Class B Warrants. In both cases, there was no meaningful news to justify the decline. Just part of the mood swings of Mr. Market.

In the last few weeks, I drilled down into and then loaded up on two wonderful businesses, both of which I am quite bullish on. Thus, while the NAV is lower, the intrinsic value of the funds is actually meaningfully higher than it was at year-end. I believe the intrinsic value of the portfolio exceeds a billion (versus its present market value of $442 million). We own fractions of some wonderful businesses run by some of the very best CEOs on the planet. This dog will hunt!

Dhandho Junoon Zero Fee Funds

On July 1, 2016, Dhandho Funds (controlled and 6% owned by my family) intends to launch Dhandho Junoon LP and Dhandho Junoon Offshore Ltd. These two funds are based on patent pending algorithms developed by a highly talented team of quants employed by Dhandho and myself. Both funds will hold about 100 stocks that are pooled from three buckets (cannibals, cloned positions and restructurings/spinoffs). Cannibals are public companies that are aggressively buying back their shares, i.e. they are eating themselves. Cloned positions are the highest conviction bets by 20+ value managers, and spinoffs do well for all the reasons Joel Greenblatt outlined in his book, *You can be a Stock Market Genius*.

It is important to note that the Junoon Funds are on auto-pilot. While we may (and probably will) tweek the algorithms from time to time, the holdings in Junoon are not being picked by me or any humans. Our backtest results show that over the long-term, Junoon beats the S&P 500 by over 4% annually, before fees. Our backtests also show that Junoon underperforms the S&P 500 30-40% of the time. Junoon is a good alternative to investing in the S&P 500 only if one has long time horizons – ideally 5-10 years or longer. Please do note that Junoon's future results could be quite different from what the backtests show.

The funds charge no management fees. They charge just performance fees which are 25% over 6% annual returns. Does that sound familiar? ☺

If you are a Qualified Purchaser (over $5 million in investable assets) you can get more information by visiting www.dhandhofunds.com or sending an email to Junoon@dhandhofunds.com. At this time, the minimum investment is $1 million. As available slots decline, the minimums are likely to rise.

While Dhandho Funds has taken a good bit of my time over the last year or so, there has been tremendous learning that has come out of it as well. Pabrai Funds benefits from that learning in myriad ways. All knowledge is cumulative, and I have gleaned many subtle insights from the Junoon research and backtests that are virtually guaranteed to prove invaluable to Pabrai Funds. Some of these insights have added to my mental models and are already quite helpful as I manage Pabrai Funds' portfolio.

Alignment of Interests

My immediate family has a stake of 230,592 units of PIF2, 8,417 units of PIF3, 980,833 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 almost $36 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 performance fees were earned by the funds in Q1 2016.

My family and I have a $7+ million investment in Dhandho Holdings, and have made a minimal $2500 investment in the newly launched Dhandho Junoon ETF. Besides this, we have no other meaningful interests in any other mutual funds, hedge funds or private equity funds. Our interests are completely aligned.

2015 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 physical annual report will be mailed by the end of April. Here is the link to the PDF version:

http://www.pabraifunds.com/website/AR_2015.pdf

Final K-1's (for US Investors)

For PIF2 and PIF4 investors, your final K-1s were emailed to you (password protected) at the end of February. If you (or your accountant) are still waiting for the K-1, please nudge Nickii or Karen at nickii_karen@pabraifunds.com and they will get it to you immediately.

2016 Annual Meetings – Save the Date

There will be our two annual meetings held sequentially at Orange County, California & Chicago, Illinois. We are also adding a 3rd annual meeting at our Dhandho Holdings Corporation headquarters in Puerto Rico! The Puerto Rico meeting will be on September 24, 2016.

Prior to the California meeting on September 10, 2016, we will have the 3rd 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 the 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

The **California** meeting is scheduled to be on **Saturday, September 10th, 2016** 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. 17th, 2016** 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.

The **Puerto Rico** meeting is scheduled to be on **Saturday, Sept. 24th, 2016** at 4:00 PM at:

The Bankers' Club
Banco Popular Building
206 Tetuan Street, San Juan, PR 00902

The Bankers' Club is on the top floor of the historic Banco Popular building in Old San Juan. This is the same building where our Dhandho Holdings offices are located.

There is a fantastic hotel where we have secured a special rate of $185/night. This rate comes with a complimentary continental breakfast and a 15% discount on meals in the main restaurant, *Patio*

Negro. The hotel is a 5 minute walk from the Banco Popular Building. Please mention "Dhandho Holdings" to get this rate.

Hotel El Convento:
100 Cristo Street
Old San Juan, PR 00901
Reservations: +1787.723.9020

Agenda:

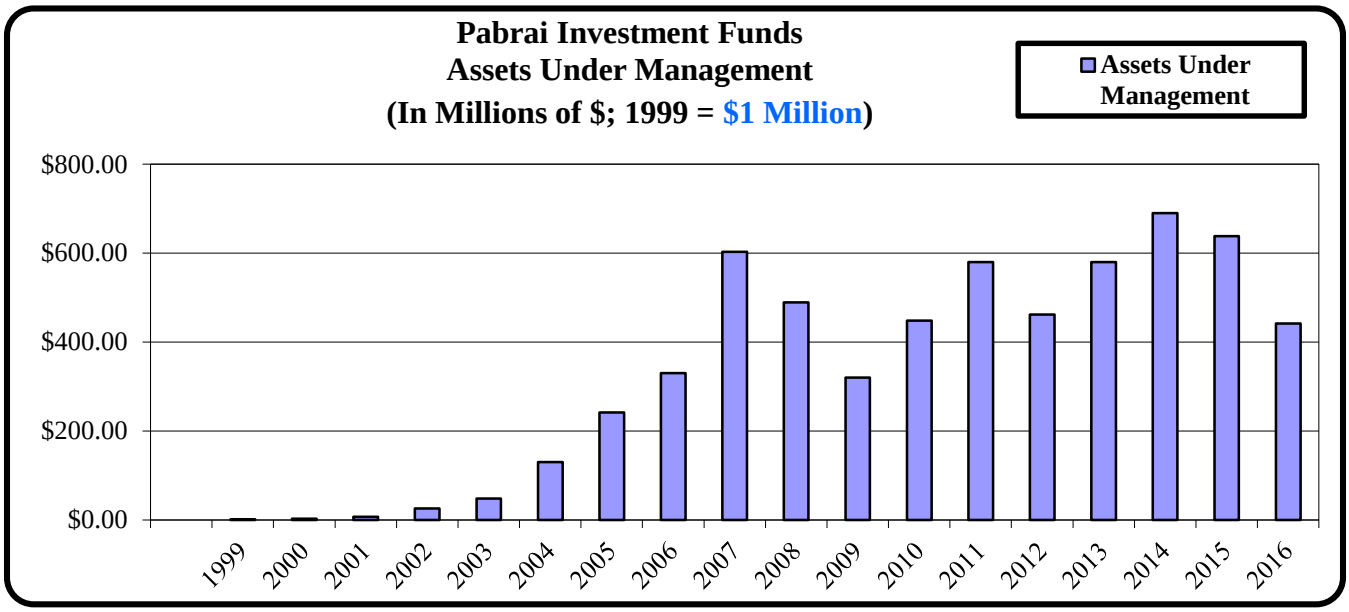
4:00 – 4:30 PM:	Meet and Greet
4:30 – 6:30 PM:	Presentation and Q&A
6:30 – 7:15 PM:	Cocktail Hour
7:15 PM:	Dinner (Chicago and Puerto Rico only)

In lieu of dinner this year in California, we're gonna do an extended cocktail hour with expanded appetizers (multiple food stations) and lots of tables to sit and chat. We'll see how it goes and then decide on the format for future years. It may be more fun this way.

The invites will go out in July, 2016. 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 $442 million in assets under management between all the funds as of March 31, 2016.



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.

Copyright © 2016 by Mohnish Pabrai. All Rights Reserved. Please do not post this letter.

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
1,906,927	6/30/2014	$78.13
1,795,006	6/30/2015	$74.64
1,684,602	12/31/2015	$63.52
1,684,602	3/31/2016	$57.46

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
4,290,222	12/31/2014	$49.61
3,805,336	12/31/2015	$41.33
3,821,599	01/31/2016	$33.82
3,821,599	02/29/2016	$32.36
3,821,599	03/31/2016	$36.31

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
10,641,808	12/31/2014	$28.03
9,531,764	12/31/2015	$23.71
9,531,764	03/31/2016	$21.64

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.