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 12, 2018

Re: **Q1 2018 Results et. al.**

Dear Partners:

For the quarter ended March 31, 2018, a total of $25.8 million was added to the various funds by new and existing partners. The additions on a per fund basis are:

PIF2: $6.7 million PIF3: $7.6 million PIF4: $11.5 million

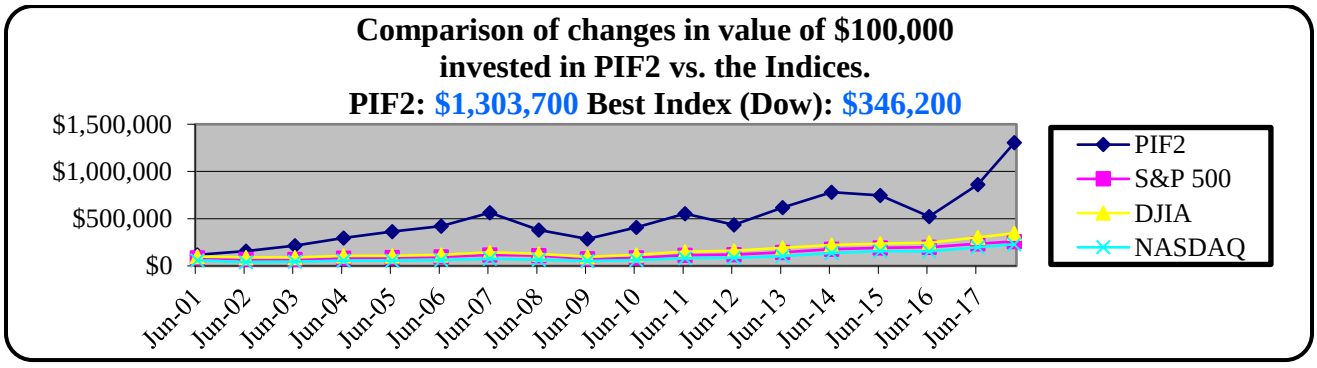
Pabrai Funds opened on April 1, 2018 to accommodate Dhandho Holdings investors who wished to put some or all of their Q1 2018 distribution into Pabrai Funds. The Funds are now again closed to new funds and investors. After reviewing our assets under management, cash position and available places to put the same to work, I believe it is in the best interest of all investors to not accept inflows at this time.

The only exception to the funds being closed is that the general partner (yours truly) can continue to re-invest incentive fees into the funds. Also, the employee retirement plan for my staff and myself can continue to invest in the funds along with any IRA contributions Harina or I make in the future. I'll also allow my kids to join Pabrai Funds as LPs if they choose to do so. These exceptions only align my interests more strongly with yours. Further, resulting inflows are expected to be immaterial – especially considering that incentive fees are simply a re-allocation of existing assets.

The updated performance numbers on all the funds are:

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

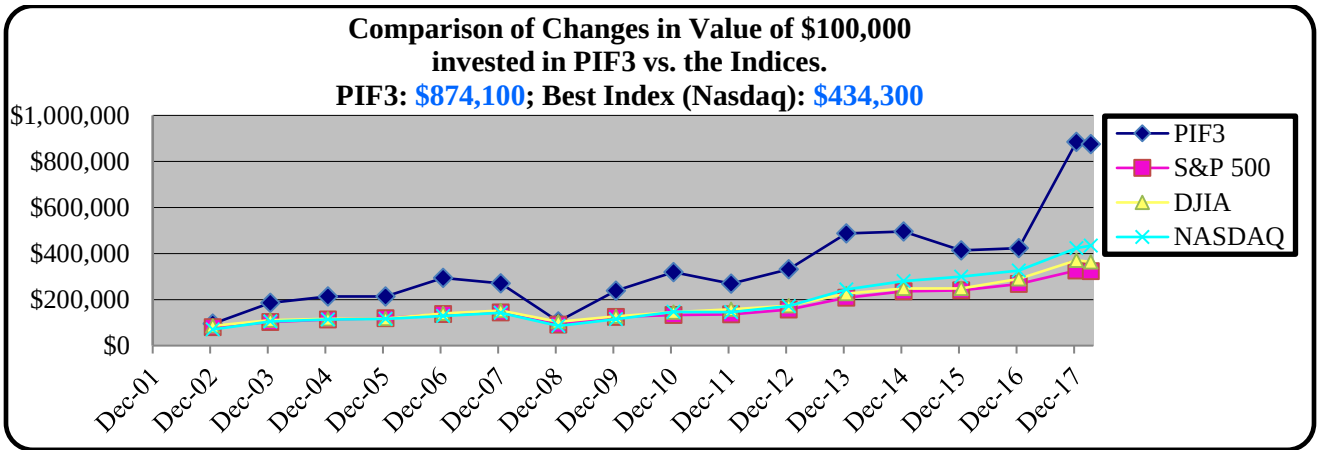
	DJIA	NASDAQ	S&P 500	PIF2 (net to investors)
10/1/00-6/30/01	-0.2%	-41.0%	-14.0%	+17.4%
7/1/01-6/30/02	-10.3%	-32.7%	-18.0%	+35.3%
7/1/02-6/30/03	-0.5%	+11.4%	+0.3%	+34.2%
7/1/03-6/30/04	+18.6%	+26.8%	+19.1%	+38.7%
7/1/04-6/30/05	+0.7%	+1.1%	+6.3%	+23.4%
7/1/05-6/30/06	+11.1%	+6.5%	+8.6%	+15.0%
7/1/06-6/30/07	+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%
7/1/17-3/31/18	+14.8%	+16.0%	+10.6%	+51.3%
1/1/18-3/31/18	-2.0%	+2.6%	-0.8%	+1.5%
Annualized	+7.4%	+4.9%	+5.6%	+15.8%
Cumulative	+246.2%	+129.6%	+159.2%	+1203.7%



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 $1,826,500 as of March 31, 2018 (net to investors). This equates to an annualized return of 16.7% 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 $342,700 on March 31, 2018 – an annualized gain of 6.8%. 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, 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%
1/1/18-03/31/18	-2.0%	+2.6%	-0.8%	-1.2%
Annualized	+8.3%	+9.5%	+7.5%	+14.3%
Cumulative	+263.4%	+334.3%	+223.8%	+774.1%

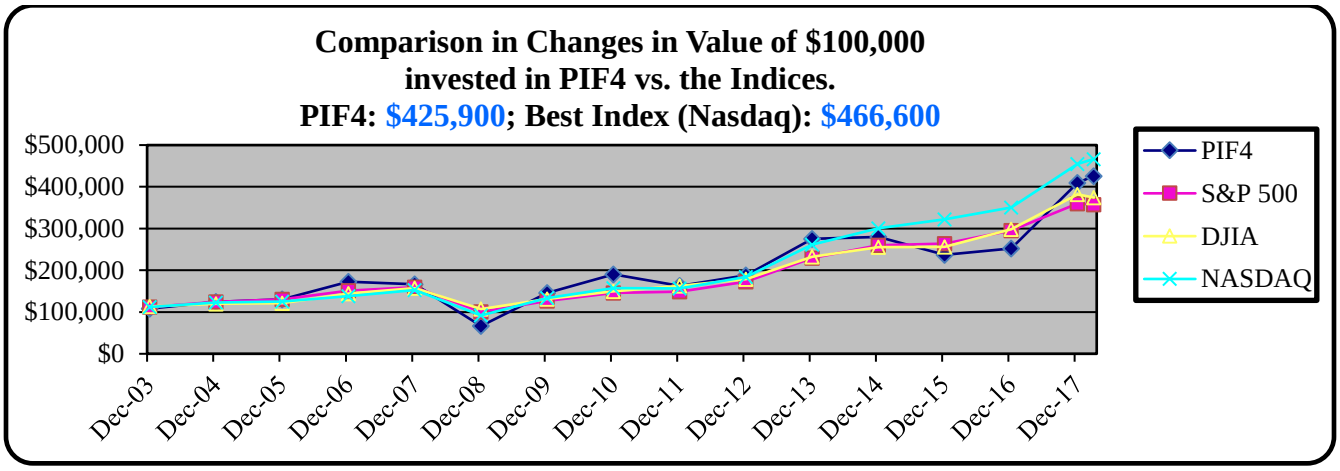


PIF3 Investors:

A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $874,100 as of March 31, 2018 (net to investors). This equates to an annualized return of 14.3% 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 $434,300 on March 31, 2018 – an annualized gain of 9.5%. 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, 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%**
1/1/18-3/31/18	**-2.0%**	**+2.6%**	**-0.8%**	**+4.0%**
Annualized	**+9.5%**	**+11.2%**	**+9.2%**	**+10.5%**
Cumulative	**+274.4%**	**+366.6%**	**+257.1%**	**+325.9%**



PIF4 Investors:
A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $425,900 as of March 31, 2018 (net to investors). This equates to an annualized gain of 10.5% 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 $466,600 on March 31, 2018 – an annualized gain of 11.2%. 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 three funds had gains/losses of +1.5%, -1.2% and +4.0% - after all fees and expenses in Q1 2018. The indices ranged from -2.0 to +2.6% for the quarter. All of this is in the noise level. Not much to be gleaned from this data. Longer term performance remains more than acceptable.

No US Domiciled Common Stocks in Any of the Three Funds!

> *The first rule of fishing is to fish where the fish are.*
> *The second rule of fishing is to never forget the first rule.*
>
> - Charlie Munger (at the 2017 Berkshire Hathaway Annual Meeting)

As I write this missive, Pabrai Funds has zero equity exposure to businesses domiciled in the United States. For most of the last nineteen years we've had the bulk of our assets invested in the United States. Today, out of $829+ million in assets under management (AUM), we have just one tiny US holding – a preferred stock where we have less than $1 million invested. At this time, we have nothing invested in Canada or Latin America either.

I love the United States and am very bullish on the future prospects of the United States. This country has innumerable deep and broad strengths. It is likely to prosper big-time in the decades ahead. The future of hundreds of US public companies is bright. However, while most of these businesses are not in bubble territory, compelling bargains are very hard to find.

The number of stocks listed on the major US exchanges has dropped from about 8000 twenty years ago to under 3700. At the same time, the number of high IQ eyeballs focused on these 3700 businesses has skyrocketed. The end result is no surprise. Virtually everything is priced to perfection. For the last three years, I've hardly been able to find anything to buy in the US.

In recent years, I have been able to find compelling bargains in India, China and South Korea. I am heavily focused on drilling down on Indian equities at this time. Last year I made six trips to India. This year, I am likely to make eight or more trips to India. The trips are a blast. Each time it is like a week of business school. I feel like I am drinking out of a fire hydrant. While the Top 100 names in India are mostly fully priced or over-priced, these trips have helped me identify compelling bargains among the smaller, more obscure companies. Some of these are destined to go from obscure to blue chip in the years ahead.

As of April 9, 2018, here is how our portfolio is allocated geographically:

India:	43%
Europe:	36%
China & South Korea:	11%
Cash:	10%

I love the fractions of businesses we own and the enormously talented leaders that run them. An interesting factoid about our holdings in India is that most of them are founder led. It is a remarkable set of entrepreneurs that I am excited to cheer on from the sidelines.

Alignment of Interests

My immediate family has a stake of 431,658 units of PIF2 and 1,505,926 units of PIF4. In addition, the administrative team at Pabrai Funds and my immediate family owns 53,905 units of PIF4 and 15,879 units of PIF3 in various retirement accounts. Finally, The Dakshana Foundation is now the proud owner of 75,985 units of PIF3. The aggregate stake of the Pabrai family, the Pabrai Funds team and The Dakshana Foundation in Pabrai Funds is worth approximately $130 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 largest investor in the funds. PIF3 and PIF4 earned $5.1 million and $2.7 million in fees in Q1 2018, respectively. No fees were earned by PIF2. PIF4 fees were fully reinvested into the fund. PIF3 is an offshore fund and I have to take those fees in cash.

My family and I have an approximately $17.4 million investment in Dhandho Holdings. Besides this, we 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 Q2 2018

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 Q2 2018.

Final K-1's (for US Investors)

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

Shout-out by Charlie Munger

It was truly an honor to receive a shout-out by Charlie Munger during the 2018 Daily Journal Annual meeting in February of this year. The full transcript of the meeting can be found here:

http://www.chaiwithpabrai.com/blog/shout-out-by-charlie-munger-at-daily-journal-annual-meeting-feb-14-2018

Q&A session with Dakshana Scholars

I held a Q&A session with Dakshana Scholars entitled "Compounding is the 8th Wonder of the World" at the Dakshana Valley Campus on Dec. 26, 2017.

http://www.chaiwithpabrai.com/blog/compounding-is-the-8th-wonder-of-the-world-lecture-qa-at-dakshana-dec-26-2017

Lecture & Q&A at Peking University

On December 22, 2017, I gave my second lecture to Peking University's Guanghua School of Management on compounding. Here is the link:

http://www.chaiwithpabrai.com/blog/compounding-is-the-8th-wonder-of-the-world-lecture-qa-at-peking-university-dec-22-2017

Q&A session at JNV Bengaluru Urban

I very much enjoyed my joint Q&A session to Dakshana Scholars on compounding with Raamdeo Agrawal, founder of Motilal Oswal on Oct. 26, 2017.

http://www.chaiwithpabrai.com/blog/qa-session-with-dakshana-scholars-at-jnv-bengaluru-urban-oct-26-2017

2018 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 8, 2018, we will have the 5th 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

Several out-of-towners rented bikes from The Path Bike Shop last year. Here is a link to their website: http://www.thepathbikeshop.com/. They have a great selection of bikes and will deliver and pick up the bikes from your hotel. 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/.

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 8th, 2018** 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, September 15th, 2018** 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:

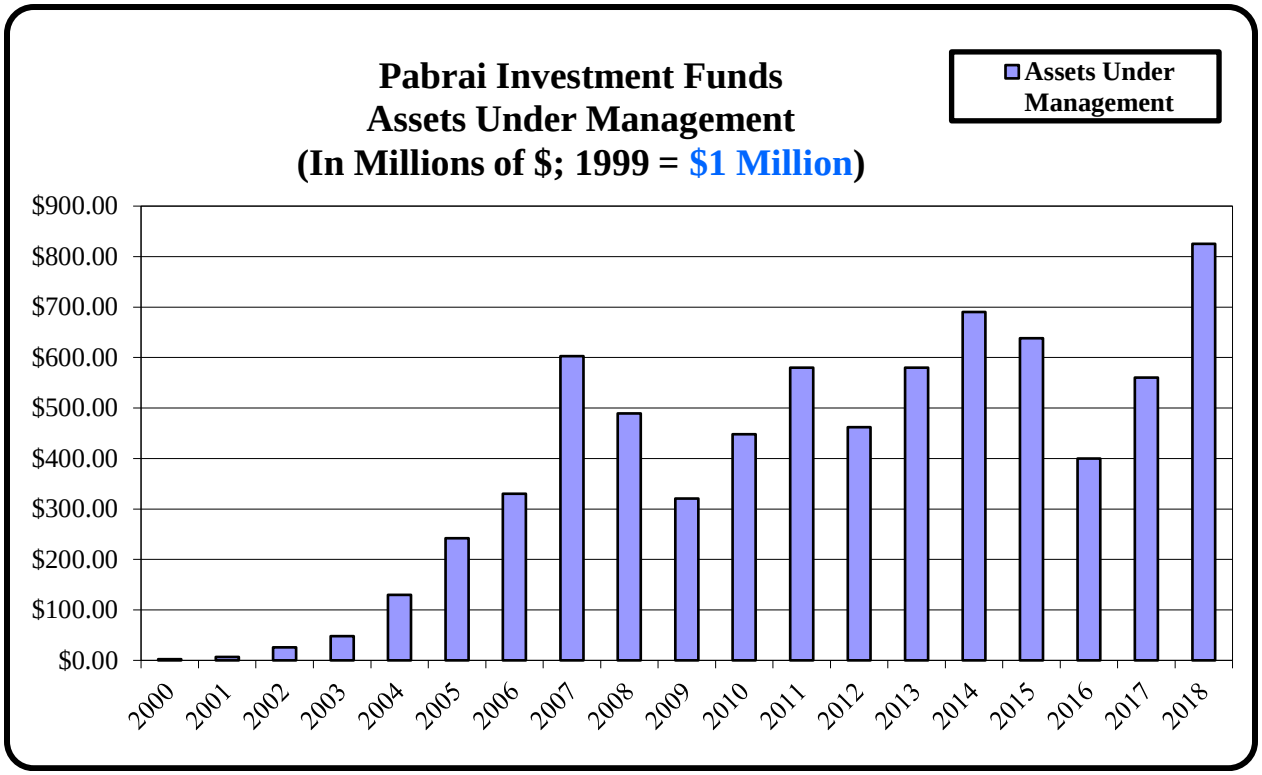
4:00 – 4:30 PM:	Meet and Greet
4:30 – 6:30 PM:	Presentation and Q&A
6:30 PM:	Cocktails
7:15 PM:	Dinner (Chicago only)

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 2018. Look for it in your inbox! Your significant other and kids of all ages are welcome to attend. As we are now a Registered Investment Advisor, the SEC requires that all guests (excluding family members) must be "accredited investors." The invitation is non-transferable. I look forward to seeing you in September.

Assets Under Management

There is $830 million in assets under management between all the funds as of April 1, 2018.



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

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
1,863,148	09/30/2017	$104.81
1,907,346	12/31/2017	$128.50
1,959,084	03/31/2018	$130.37

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
2,409,762	01/31/2018	$95.64
2,409,762	02/28/2018	$89.56
2,496,806	03/31/2018	$87.41

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
8,373,396	03/31/2018	$42.59

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.