PABRAI INVESTMENT FUNDS

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

From: Mohnish Pabrai, Managing Partner

Date: July 14, 2011

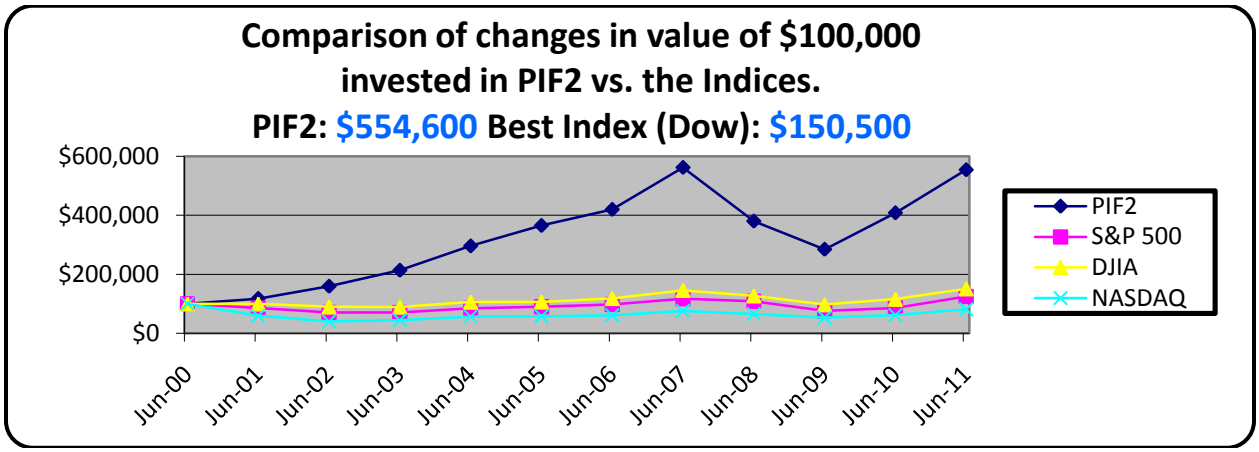
Re: **Q2 2011 Results et. al.**

Dear 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%**
1/1/11 – 6/30/11	**+8.6%**	**+5.0%**	**+6.0%**	**+0.6%**
Annualized	**+3.9%**	**-1.9%**	**+1.1%**	**+17.3%**
Cumulative	**+50.5%**	**-18.5%**	**+12.5%**	**+454.6%**

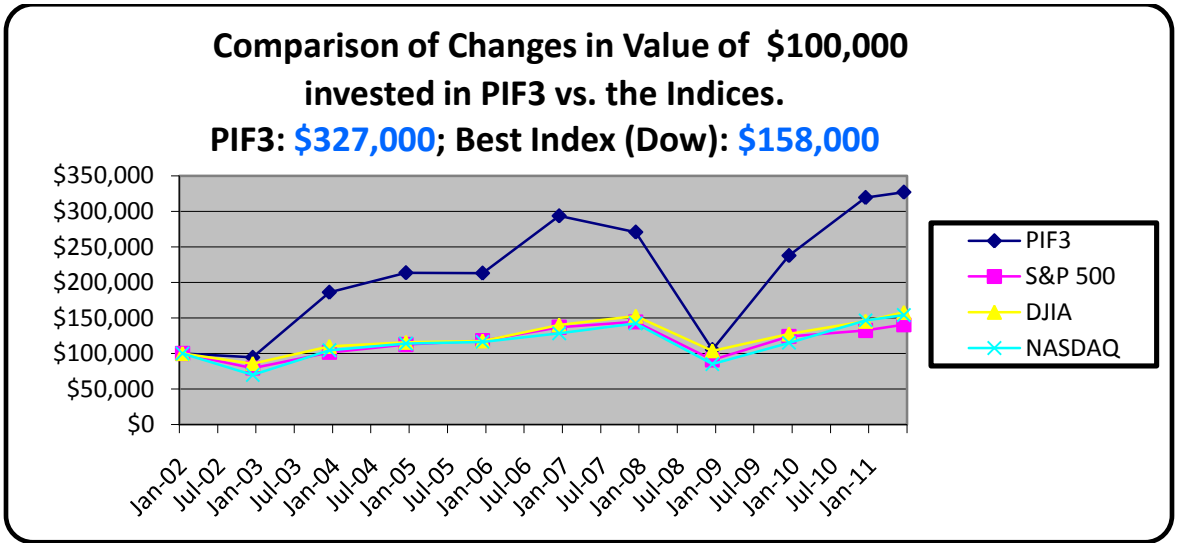


PIF2 Investors:

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 $777,000 as of June 30, 2011 (net to investors). This equates to an annualized return of 18.6% 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 $149,000 on June 30, 2011 – an annualized gain of 3.4%. 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 – 6/30/11	**+8.6%**	**+5.0%**	**+6.0%**	**+2.4%**
Annualized	**+5.0%**	**+4.7%**	**+3.7%**	**+13.4%**
Cumulative	**+58.0%**	**+54.1%**	**+40.5%**	**+227.0%**

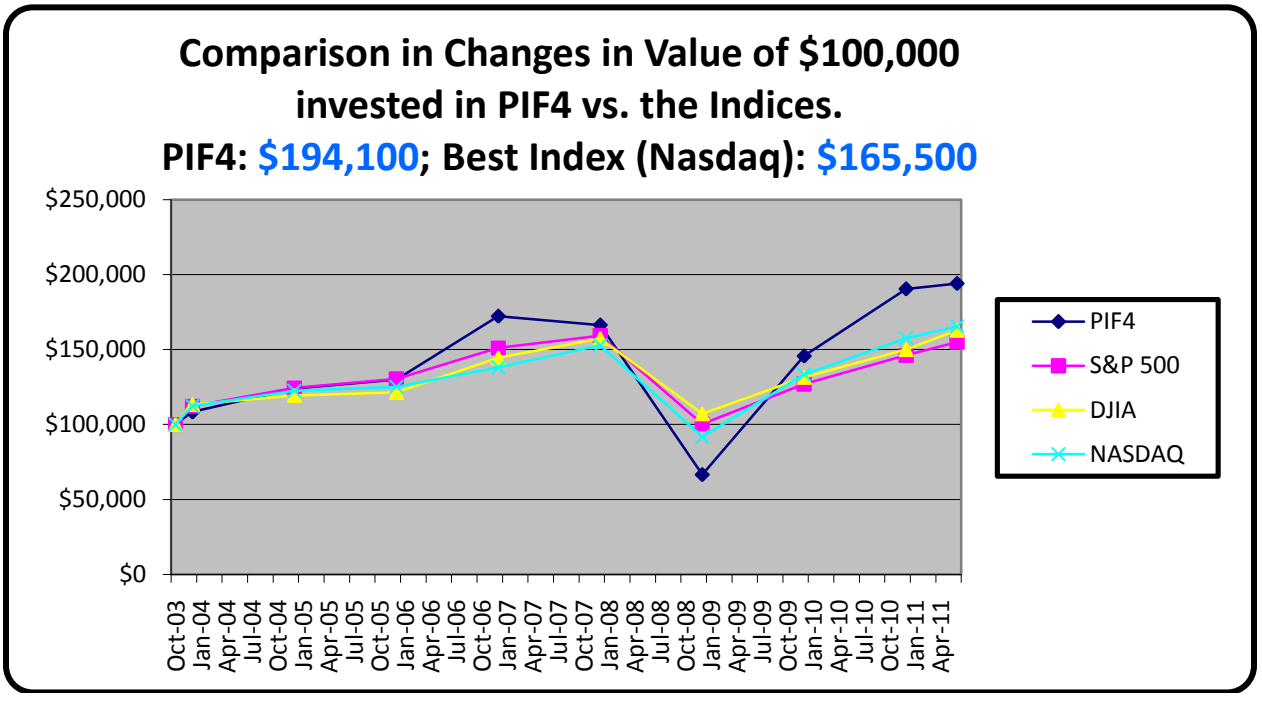


PIF3 Investors:

A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $327,000 as of June 30, 2011 (net to investors). This equates to an annualized return of 13.4% since inception. The best index over the same period was the Dow and an investment of $100,000 in the DJIA on February 1, 2002 was worth $158,000 on June 30, 2011 – an annualized gain of 5.0%. The Dow 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 – 6/30/11	**+8.6%**	**+5.0%**	**+6.0%**	**+1.9%**
Annualized	**+6.5%**	**+6.7%**	**+5.8%**	**+8.9%**
Cumulative	**+62.9%**	**+65.5%**	**+54.9%**	**+94.1%**



PIF4 Investors:

A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $194,100 as of June 30, 2011 (net to investors). This equates to an annualized gain of 8.9% since inception. The best index over the same period

was the Nasdaq Composite and an investment of $100,000 in the Nasdaq on October 1, 2003 was worth $165,500 on June 30, 2011 – an annualized gain of 6.7%. The Nasdaq gains include reinvested dividends.

Alignment of Interests

All three funds are below their historic NAVs plus the 6% annualized since the historic high. Thus no fees were earned by any of the funds for the quarter. My immediate family has a stake of 419,279 units of PIF2; 8,417 units of PIF3; 1,224,824 units of PIF4 and about 30,000 units of PIF4 in a retirement account. This stake is worth over $47 Million.

Besides the previously disclosed investment in Dardashti Capital (worth about $1.4 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.

2011 Annual Meetings – Save the Date

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

The **Chicago** meeting is thus scheduled to be on **Saturday, Sept. 10, 2011** 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 **California** meeting is scheduled to be on **Saturday, Sept. 17, 2011** at 4:00 PM at our usual venue:

Hyatt Regency Huntington Beach Resort and Spa
(Grand Ballroom)
21500 Pacific Coast Highway, Huntington Beach, CA 92648 Tel. +1714.698.1234

We have 10 rooms set aside for the event at a $185/night (plus taxes and resort fees). Please call the hotel directly and book your room mentioning Pabrai Investment Funds. Alternately, Hyatt.com usually has good rates and you can book online as well. Please reserve early as the hotel usually is fully booked around that time. The hotel is closest to Orange County Airport (SNA), though LAX and Long Beach (LGB) are convenient as well.

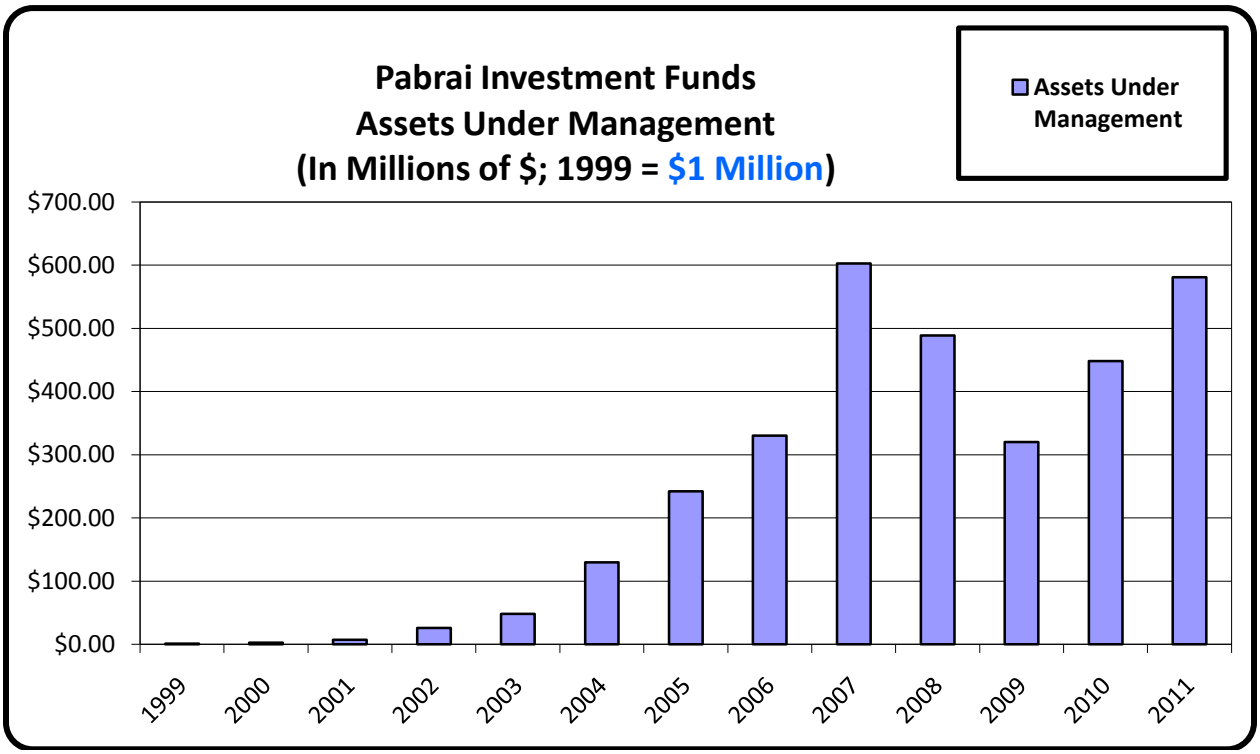
Agenda:

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 are in the midst of going out. If you don't have yours yet, it should arrive by the end of July, if not sooner. 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 $580 Million in assets under management between all the funds as of July 1, 2011.



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
2,417,765	9/30/2010	$49.42
2,257,421	12/31/2010	$55.12
2,257,421	3/31/2011	$57.80
2,257,421	6/30/2011	$55.46

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
4,885,267	1/31/2011	$32.72
4,885,267	2/28/2011	$33.38
4,885,267	3/31/2011	$33.61
4,885,267	4/30/2011	$33.56
4,885,267	5/31/2011	$32.71
4,885,267	6/30/2011	$32.70

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
15,246,515	12/31/2010	$19.05
15,249,700	3/31/2011	$19.91
15,249,700	6/30/2011	$19.41

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.