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 9, 2013

Re: **Q2 2013 Results et. al.**

Dear Partners:

For the quarter ended June 30, 2013, $0.6 million was added to PIF3.

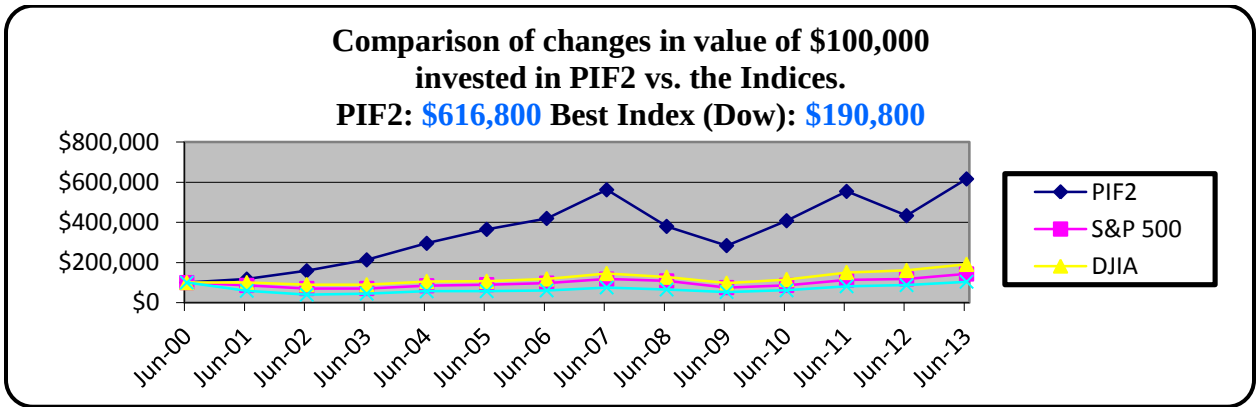
As a reminder, while PIF2 and PIF4 are closed to new investors (and additions from existing investors), PIF3 is open to new money from existing or new investors at this time. PIF3 is our offshore fund for Accredited Investors and Institutions based outside the United States. To invest in PIF3, one needs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

The minimum investment to join PIF3 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 August 1, 2013. 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%**
1/1/13-6/30/13	**+15.2%**	**+13.4%**	**+13.8%**	**+19.0%**
Annualized	**+5.2%**	**+0.3%**	**+2.8%**	**+15.3%**
Cumulative	**+90.8%**	**+4.2%**	**+43.0%**	**+516.8%**

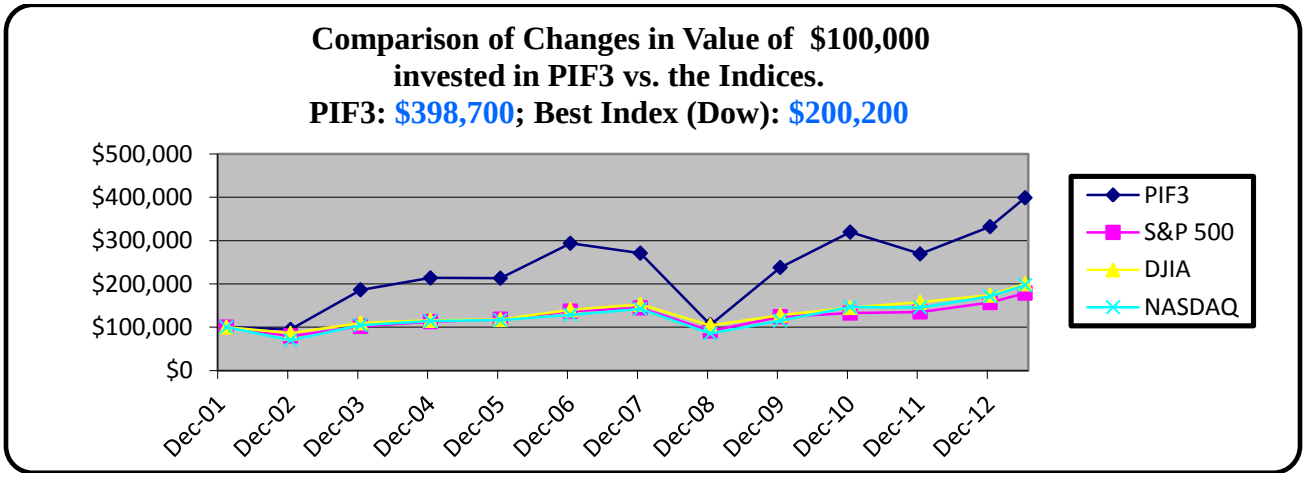


PIF2 Investors:

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 $864,000 as of June 30, 2013 (net to investors). This equates to an annualized return of 16.6% 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 $188,800 on June 30, 2012 – an annualized gain of 4.6% 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%**
1/1/13-6/30/13	**+15.2%**	**+13.4%**	**+13.8%**	**+20.1%**
Annualized	**+6.3%**	**+6.1%**	**+5.2%**	**+12.9%**
Cumulative	**+100.2%**	**+97.1%**	**+78.6%**	**+298.7%**

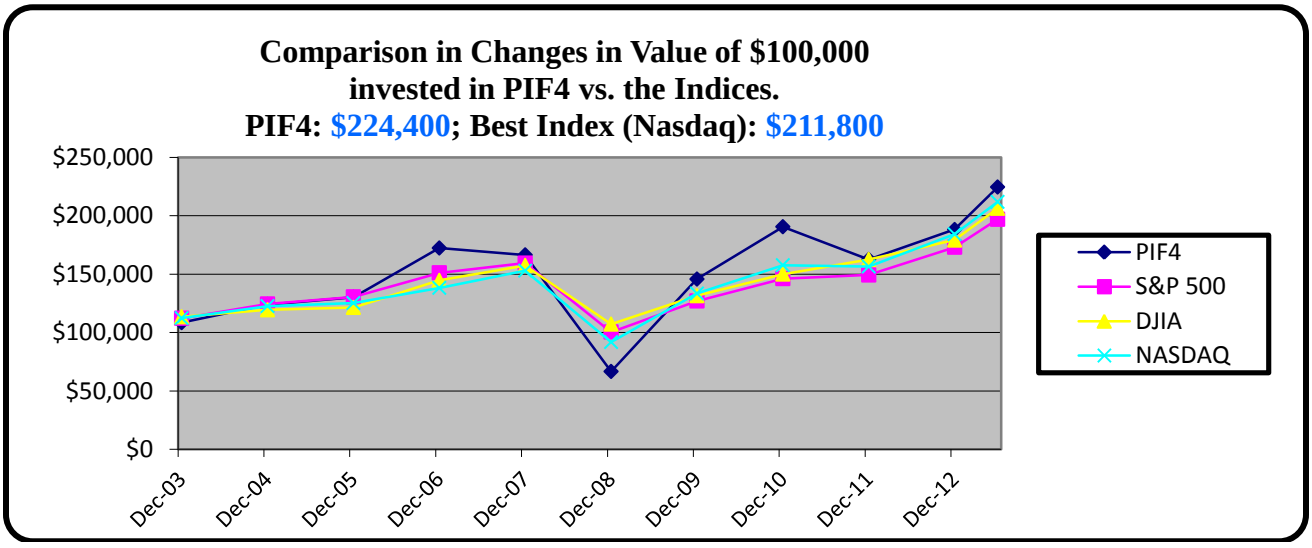


PIF3 Investors:

A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $398,700 as of June 30, 2013 (net to investors). This equates to an annualized return of 12.9% since inception. The best index over the same period was the Dow and an investment of $100,000 in the Dow on February 1, 2002 was worth $200,200 on June 30, 2013 – an annualized gain of 6.3%. 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%**
1/1/11-12/31/11	**+8.4%**	**-0.8%**	**+2.1%**	**-14.8%**
1/1/12-12/31/12	**+10.2%**	**+17.7%**	**+16.0%**	**+16.1%**
1/1/13-6/30/13	**+15.2%**	**+13.4%**	**+13.8%**	**+19.1%**
Annualized	**+7.7%**	**+8.0%**	**+7.2%**	**+8.6%**
Cumulative	**+106.3%**	**+111.8%**	**+96.9%**	**+124.4%**



PIF4 Investors:

A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $224,400 as of June 30, 2013 (net to investors). This equates to an annualized gain of 8.6% 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 $211,800 on June 30, 2013 – an annualized gain of 8.0%. 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

With NAV gains of 19-20%, all three funds were up strongly in the first half of 2013. All three funds also hit all-time highs in the quarter, a wonderful milestone. The last time all three funds were at all-time highs was in June, 2007. We had a deep hole to climb out of after the financial crisis. It is wonderful to see that hole being completely filled in.

We own an exceptional set of assets bought at deeply discounted prices. Nine holdings currently make up about 90% of total assets. And the remaining 10% is mostly cash. My estimate of the aggregate intrinsic value of our holdings is meaningfully higher than current market prices – which bodes well for our future.

Alignment of Interests

All three funds are below their historic NAVs plus 6% annualized from the last date fees were paid. Hence no fees were earned by any of the funds for the quarter. My immediate family has a stake of 353,492 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 5,600 units of PIF3 in various retirement accounts.

The aggregate stake of the Pabrai family and staff at Pabrai Funds is worth over $50 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. 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.

Article in Outlook Business

A leading Indian business magazine, Outlook Business, published an article on yours truly entitled "Copy, Compound, Give Away" on June 8, 2013. Here is the link:

http://business.outlookindia.com/printarticle.aspx?285693

The entire issue of the magazine was dedicated to Warren Buffett and value investing. It is very well researched and written with a wonderful set of interviews. I recommend reading the entire issue.

Article in La Presse

La Presse (Montreal) published an article entitled "Mohnish Pabrai: The Eternal Cloner" on June 25, 2013. Here is a link to the article:

http://affaires.lapresse.ca/bourse/201306/25/01-4664700-mohnish-pabrai-leternel-cloneur.php

And for those whose high school French is rusty, here is a link to the article translated into English:

www.pabraifunds.com/website/La_Press_Montreal_6.25.2013.pdf

2013 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. 7, 2013** at 4:00 PM. We were very pleased with our new venue this year and will return to Soka University next year.

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. 21, 2013** 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:

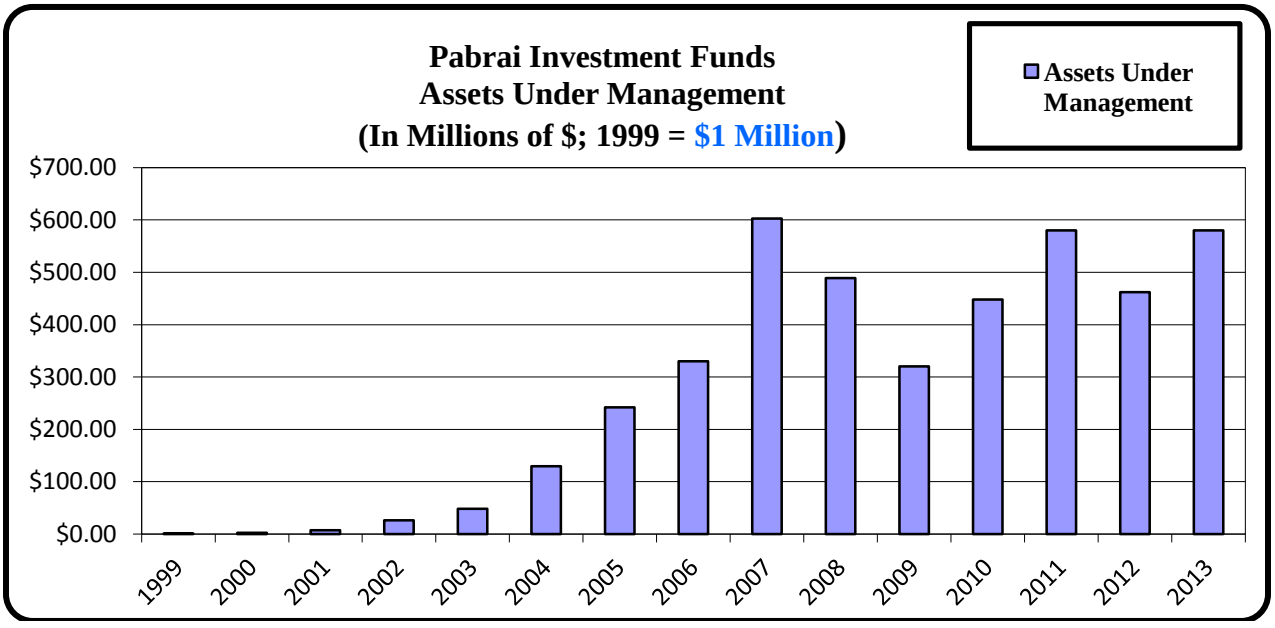
4:00 – 4:30 PM: Meet and Greet
4:30 – 6:30 PM: Presentation and Q&A

6:30 – 7:15 PM: Cocktail Hour
7:15 PM: Dinner

The invites will go out in July, 2013. 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 $580 million in assets under management between all the funds as of July 1, 2013.



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
2,180,892	9/30/2012	$46.49
2,057,676	12/31/2012	$51.84
2,057,676	03/31/2013	$54.91
2,057,676	06/30/2013	$61.68

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
4,367,148	1/31/2013	$35.44
4,367,148	2/28/2013	$34.52
4,374,390	3/31/2013	$35.22
4,376,377	4/30/2013	$36.93
4,379,085	5/31/2013	$42.17
4,387,098	6/30/2013	$39.87

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
12,398,564	3/31/2013	$19.91
12,398,564	6/30/2013	$22.44

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.