PABRAI INVESTMENT FUNDS

To: All Limited Partners of The Pabrai Investment Funds

From: Mohnish Pabrai, Managing Partner

Date: December 6, 2002

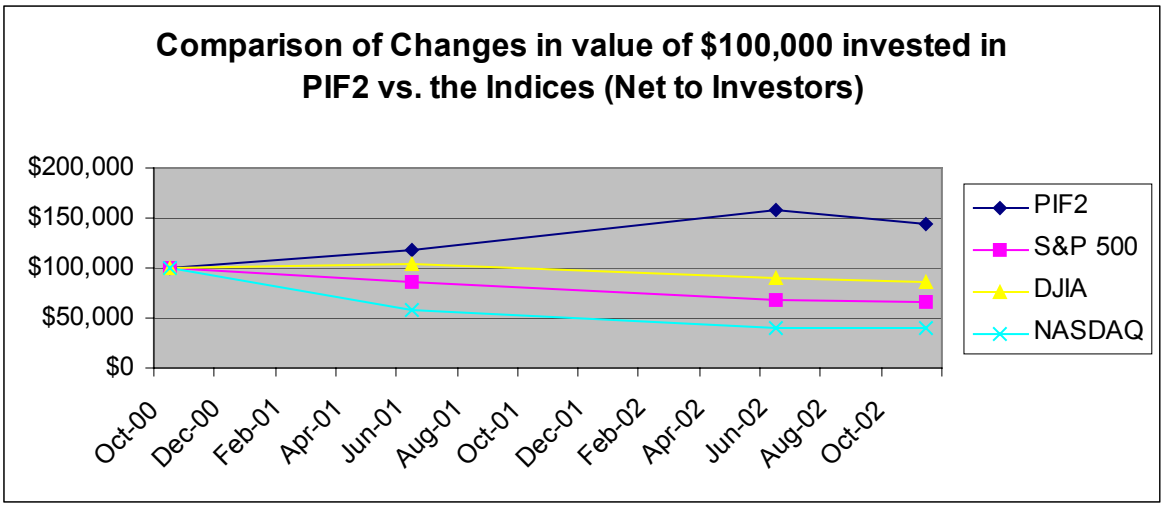
Re: **Updated PIF2 Performance Data**

Dear Partners:

We had $260,000 in new funds added to PIF2 on 12/1/02. Per fund rules, updated NAV numbers are released anytime there are subscriptions or redemptions and at fiscal year end. Here are the updated NAV numbers on PIF2 as of market close on 11/30/02.

PABRAI INVESTMENT FUND 2 Performance Summary:

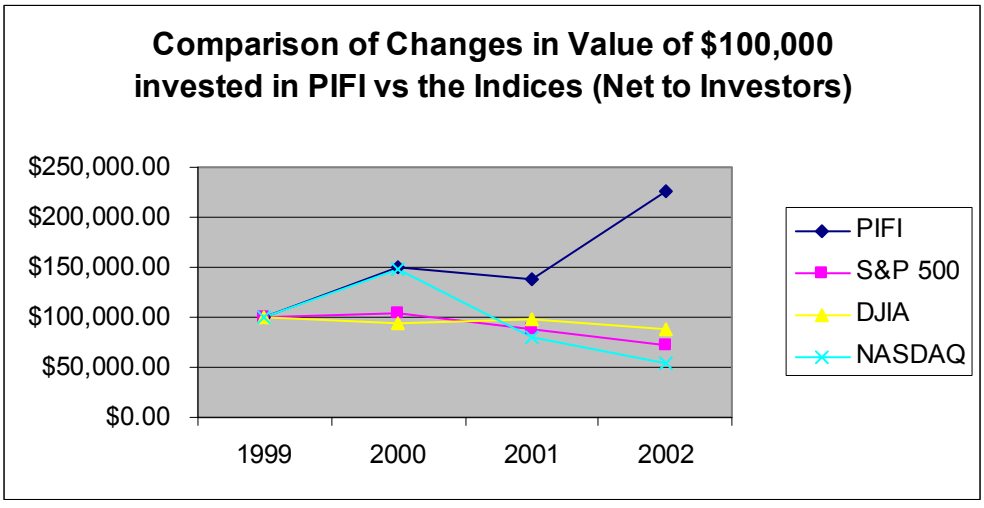
	DJIA	NASDAQ	S&P 500	PIF2 (before exp.)	PIF2 (after exp.)
10/1/00 – 6/30/01	**+4.6%**	**-41.2%**	**-14.8%**	**+20.9%**	**+17.4%**
7/1/01 – 6/30/02	**-14.2%**	**-32.3%**	**-19.1%**	**+42.7%**	**+35.3%**
7/1/02 – 11/30/02	**-3.3%**	**+1.1%**	**-5.4%**	**-11.4%**	**-9.7%**
Year to Date	**-9.8%**	**-24.2%**	**-18.5%**	**-1.5%**	**-1.0%**
Annualized	**-6.3%**	**-34.3%**	**-17.9%**	**+21.6%**	**+18.1%**
Cumulative	**-13.2%**	**-59.7%**	**-34.8%**	**+52.8%**	**+43.5%**



For completeness of the track record I am also including the last published performance numbers on PIFI and PIF3.

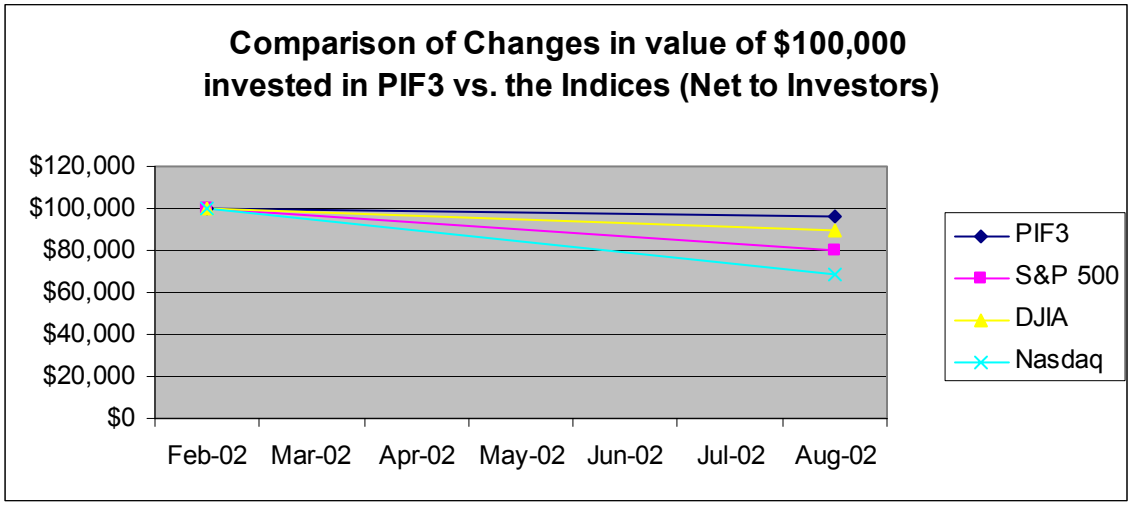
PABRAI INVESTMENT FUND I (closed) Performance Summary:

	DJIA	NASDAQ	S&P 500	PIFI (before exp.)	PIFI (after exp.)
7/1/99 - 6/30/00	**-4.7%**	**+47.3%**	**+4.7%**	**+62.5%**	**+50.1%**
7/1/00 – 6/30/01	**+2.2%**	**-45.5%**	**-15.9%**	**-7.7%**	**-8.3%**
7/1/01 – 6/30/02	**-10.0%**	**-32.3%**	**-19.2%**	**+76.6%**	**+63.6%**
Annualized	**-4.3%**	**-18.4%**	**-10.7%**	**+38.3%**	**+31.1%**
Cumulative	**-12.3%**	**-45.7%**	**-28.9%**	**+164.5%**	**+125.4%**



PABRAI INVESTMENT FUND 3 Performance Summary:

	DJIA	NASDAQ	S&P 500	PIF3 (before exp.)	PIF3 (after exp.)
2/1/02 – 7/31/02	**-10.3%**	**-31.5%**	**-19.6%**	**-2.1%**	**-3.5%**
Annualized	**-19.5%**	**-53.0%**	**-35.4%**	**-4.2%**	**-6.9%**
Cumulative	**-10.3%**	**31.5%**	**-19.6%**	**-2.1%**	**-3.5%**



Even the not so diligent reader will notice that PIF2 experienced a significant rise in NAV during the last two months (over 34%). While the numbers over the last two months are good, investors should fixate on long-term performance – over 5 or 10 years or longer. PIF2 is now 26 months old and while this is still a relatively short time frame, I am very satisfied with the annualized performance of 18.1% that PIF2 has delivered to the partners since inception. All three indices have delivered negative annualized numbers over the same period.

All the Pabrai Funds portfolios continue to be valued at substantial discounts to intrinsic value. In addition, we own pieces of some truly exceptional businesses bought well below intrinsic value. For these reasons, I do believe that future long-term results will continue to be very satisfactory. I'm bullish on The Pabrai Funds. At the same time good investment ideas are very scarce. I'm fine with doing nothing with the portfolio while keeping an eye out for great investment ideas.

Merger of PIFI and PIF2

The PIFI and PIF2 merger was approved by partners and we are set to merge the funds on 12/31/02. The reduced expenses of having one (larger) poor of capital versus two will be better for all of us.

Alignment of Interests

To date, I have always reinvested all my fees back into the partnerships. Dalal Street, the investment manager that I own, has 84,787.74 units of PIF2 and 37,993.95 units of PIFI. Based on last published NAV, this stake is worth $1,216,704.07 + $856,383.63 = $2,073,087.70. Thus I have a deep vested interest in the future performance of The Pabrai Funds. When you win, I win. Our interests are completely aligned.

Articles and Talks

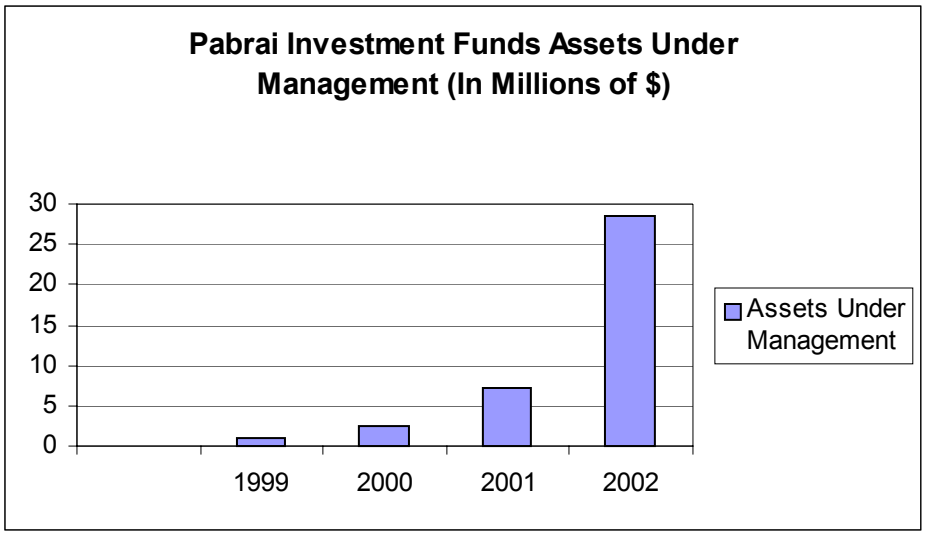
I enjoy writing and, over the last few weeks, have established a good relationship with the editors at The Motley Fool (Fool.com) and TheStreet.com. Both offer excellent investment commentary and recently each site published an article authored by me.

On Oct. 30, Fool.com ran Buffett Succeeds at Nothing and on Nov. 15, TheStreet.com ran Decoding a Company's DNA. If you are not a subscriber, you can read both of them on Pabraifunds.com in the Articles and Speeches section (under Management). I look forward to "getting my music out" at Fool.com and TheStreet.com.

Also, on Oct. 30, I gave a talk entitled, "The Latticework of Mental Models Approach to Investing" to the Investment Club at Northwestern University's Kellogg School of Management. The presentation is also on the website, but unfortunately most of the talk and rich Q&A is not on the slides.

Next Opening – February 1, 2003

The minimum investment to join the funds as a new partner remains unchanged at $400,000. The next opening of 2/1/03. Existing partners can add funds in increments of $25,000 at each opening (with a $25,000 minimum). This does not apply to our offshore investors. PIF3 is setup as an offshore mutual fund limited to non-US accredited investors. The minimum investment for new PIF3 is always $100,000. Assets under management are over $28 Million as of 11/30/02.



Thanks for your continued interest, referrals and support. I never thought this would be so much fun when I started the funds. I should be paying for the privilege!

Warm Regards,

Mohnish Pabrai

Appendix A

PIF2 NAV and Performance Fees and Expenses Since Inception.

Per the Nov. 30, 2002 custodian and bank statement, the value of PIF2 assets is **$19,143,459**. The cash expenses incurred by PIF2 through September are legal, accounting and administrative expenses totaling $68,542.89. The NAV before fees and expenses is **$19,212,001.89 or $15.28/unit.** In other words, PIF2 is up **52.8%** since inception two years ago before fees and expenses - or an annualized rate of **21.6%**

NAV after all expenses (including accruals) is $19,118,646.84 or **$14.35/unit.**

The previous NAV high after fees is $17.43 set on 6/1/02. Since the NAV is below the previous historical high, there is a no fee is payable to Dalal Street (General Partner) at this time. PIF2 is up **43.5%** since inception twenty six months ago AFTER all fees and expenses - or an annualized rate of **18.1%.**

$260,000 in new funds came in on 12/1/02 resulting in 18,117.34 units being issued.

Total units outstanding as of 12/1/02 are **1,350,344.36**

PIF2's Performance BEFORE and AFTER fees and expenses vs. the Indices.

No. of Units	Date	PIF2 NAV Pre-Exp.	PIF2 NAV Post-Exp.	S&P 500	S&P 500	DJIA	DJIA	NASDAQ	NASDAQ
110000	10/1/2000	$10.00	$10.00	$10.00	1436.51	$10.00	10650.92	$10.00	3672.82
330014	6/30/2001	$12.09	$11.74	$8.52	1224.42	$10.46	11140.05	$5.88	2160.54
1027795	6/30/2002	$17.25	$15.89	$6.89	989.82	$8.98	9563.39	$3.98	1463.21
1311202	7/31/2002	$14.73	$13.62	$6.35	911.62	$8.50	9056.72	$3.62	1328.26
1332227	9/30/2002	$11.40	$10.70	$5.68	815.28	$7.45	7939.11	$3.19	1172.06
1350344	11/30/2002	$15.28	$14.37	$6.52	936.31	$8.68	9243.18	$4.03	1478.78

PIFI's Performance BEFORE and AFTER fees and expenses vs. the Indices.

No. of Shares	Date	PIFI NAV Pre-Fees	PIFI NAV Post-Fees	S&P 500	S&P 500	DJIA	DJIA	NASDAQ	NASDAQ
100000	7/1/99	$10.00	$10.00	$10.00	1391.22	$10.00	11,139.24	$10.00	2692.96
164453	6/30/00	$16.25	$15.05	$10.47	1456.60	$9.53	10,613.49	$14.73	3966.11
230480	6/30/01	$14.97	$13.78	$8.80	1224.42	$9.74	10,847.09	$8.02	2160.54
216027	6/30/02	$26.45	$22.54	$7.11	989.82	$8.77	9,773.40	$5.43	1463.21

PIF3's Performance BEFORE and AFTER fees and expenses vs. the Indices.

No. of Units	Date	PIFI NAV Pre-Fees	PIFI NAV Post-Fees	S&P 500	S&P 500	DJIA	DJIA	NASDAQ	NASDAQ
65100	1/25/2002	$10.00	$10.00	$10.00	1133.28	$10.00	9840.08	$10.00	1937.70
255836	3/29/2002	$11.39	$11.01	$10.12	1147.39	$10.62	10446.55	$9.52	1845.35
289769	7/31/2002	$9.81	$9.64	$8.04	911.62	$8.97	8828.85	$6.85	1328.26

Note: The source for the indices data is Barron's. The DJIA data includes dividends. The S&P 500 and Nasdaq numbers exclude dividends as Barron's does not provide historical dividend data for the S&P 500 and Nasdaq Composite. PIFI and PIF3 performance numbers are dated since The Pabrai Investment Funds only releases performance data annually at fiscal year end for all funds. The only exception is whenever there are subscriptions or redemptions for a given fund. Thus PIF2 performance is updated and PIFI and PIF3 are not.

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.