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: January 16, 2019

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

Dear Partners:

Happy New Year! December 31 was our annual redemption date. A total of $32.6 million was redeemed from the various funds in 2018. The redemptions on a per fund basis are:

PIF2: $6.7 million PIF3: $7.3 million PIF4: $18.6 million

For the quarter ended December 31, 2018, a total of $5.7 million was added to PIF3 by existing investors.

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.

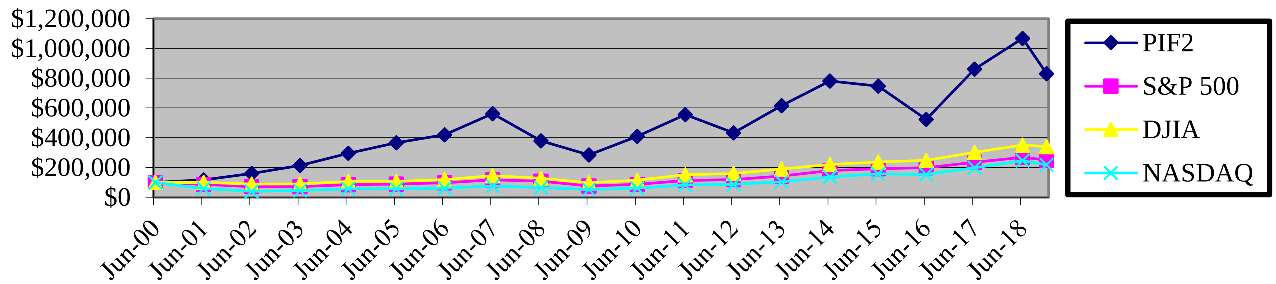
The minimum investment to join as a new partner is $2.5 million for individuals and $10 million for IRAs/Foundations/Endowments. For current investors, the minimum addition to their current investment is $25,000. For IRA investors the minimum is $5,000. The next opening is on February 1, 2019. If you are interested or would like more information, please contact Lynn Dann or me at ldann@pabraifunds.com or mp@pabraifunds.com, respectively.

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%
7/1/17-6/30/18	+16.3%	+23.6%	+14.4%	+23.9%
7/1/18-12/31/18	-2.8%	-11.1%	-6.9%	-22.1%
1/1/18-12/31/18	-3.5%	-2.8%	-4.4%	-35.3%
Annualized	+7.0%	+4.4%	+5.1%	+12.3%
Cumulative	+241.2%	+117.7%	+149.9%	+731.3%

Comparison of changes in value of $100,000 invested in PIF2 vs. the Indices.
PIF2: $831,300 Best Index (Dow): $341,200



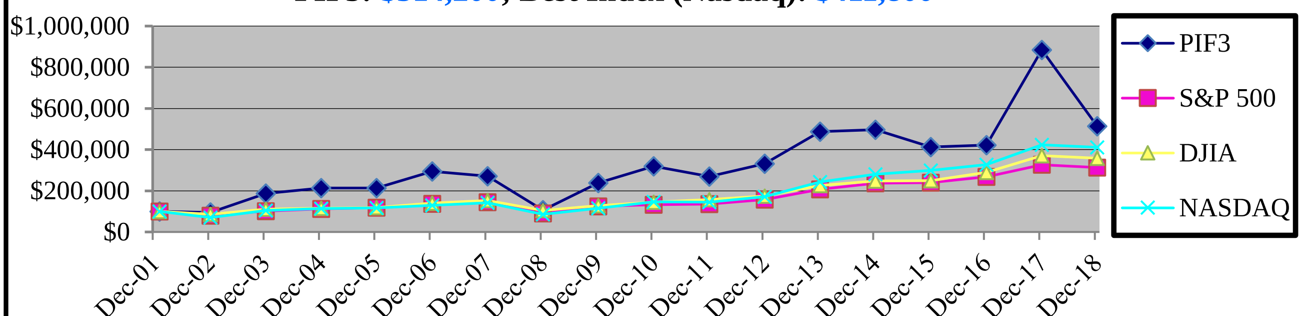
PIF2 Investors:

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 $1,164,600 as of December 31, 2018 (net to investors). This equates to an annualized return of 13.4% 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 $337,700 on December 31, 2018 – an annualized gain of 6.4%. 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, 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%
1/1/18-12/31/18	-3.5%	-2.8%	-4.4%	-41.9%
Annualized	+7.8%	+8.7%	+7.0%	+10.2%
Cumulative	+258.2%	+311.8%	+212.3%	+414.2%

Comparison of changes in value of $100,000 invested in PIF3 vs. the Indices.
PIF3: $514,200; Best Index (Nasdaq): $411,800



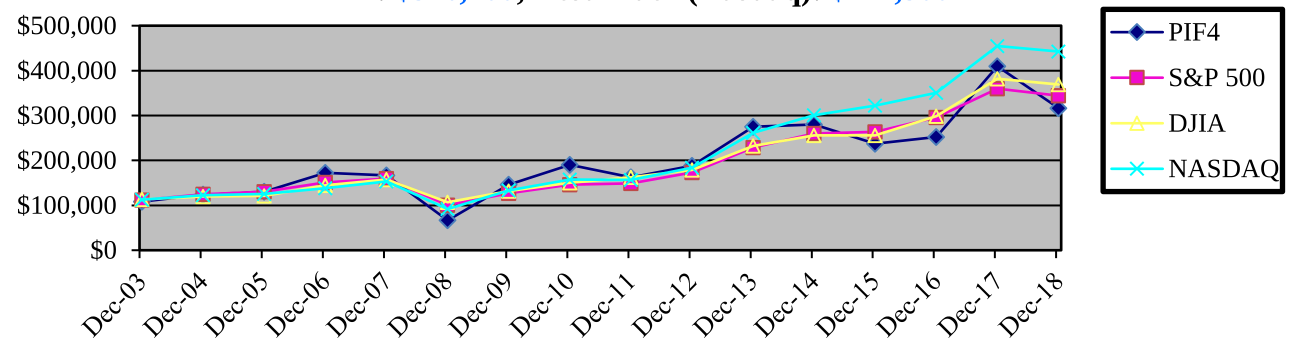
PIF3 Investors:

A $100,000 investment in PIF3 at inception on February 1, 2002 was worth $514,200 as of December 31, 2018 (net to investors). This equates to an annualized return of 10.2% 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 $411,800 on December 31, 2018 – an annualized gain of 8.7%. 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 February 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%
1/1/18-12/31/18	-3.5%	-2.8%	-4.4%	-22.8%
Annualized	+8.9%	+10.2%	+8.4%	+7.8%
Cumulative	+269.1%	+342.5%	+244.4%	+216.4%

Comparison of changes in value of $100,000 invested in PIF4 vs. the Indices.
PIF4: $316,400; Best Index (Nasdaq): $442,500



PIF4 Investors:

A $100,000 investment in PIF4 at inception on October 1, 2003 was worth $316,400 as of December 31, 2018 (net to investors). This equates to an annualized return of 7.8% 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 $442,500 on December 31, 2018 – an annualized gain of 10.2%. The Nasdaq gains include reinvested dividends. In the graph above, the start date for PIF4 is shown as December 31, 2003 for readability. The correct start date is October 1, 2003.

General Comments

All three funds significantly underperformed the benchmark indices in 2018. The funds were down between 23 and 42% in 2018 versus the various indices being down under 5%. Much of the decline can be attributed to irrational declines in the prices of our two largest holdings, Fiat Chrysler and Rain Industries.

On January 1, 2018, the funds owned the following share counts in these two businesses:

	Fiat Chrysler	Rain Industries
PIF2	2,730,000	12,758,000
PIF3	2,629,000	16,254,715
PIF4	6,109,000	2,709,000

At the start of the year these stocks were valued at $144 million, $165 million and $151 million in each of the three portfolios, respectively. In January, 2018, Pabrai Funds was the most concentrated it has ever been previously – going all the way back to inception in 1999. Fiat Chrysler and Rain made up 59%, 78% and 46% of the three funds.

Please keep in mind that Pabrai Funds does not put more than around 10% of assets into a single idea. In the case of Rain Industries only PIF3 invested 10%. The other two funds invested less than 10%. These stocks went up manifold in value and, as a result, became a much larger portion of the pie.

"The Market is there to serve you. Not to guide you."

- Ben Graham

Fiat Chrysler and Rain Industries declined 34% and 70%, respectively, in 2018. Channeling Ben Graham, it would be a mistake to assume that current market prices reflect the value of these businesses. The significant 2018 decline in the prices of these two positions is overwhelmingly responsible for our underperformance in 2018. These two stocks are also the reason we significantly outperformed the market in 2017.

Fiat Chrysler, including the 34% decline in 2018, has delivered over a 5x return since we bought it in 2012. Rain Industries was bought at about $0.60/share in 2015 and was trading at over $7 at in January, 2018 and $1.95 at the end of the year. Even after the 70% decline in 2018, it is up over 3x since we acquired our position.

Why did we not sell these stocks at the beginning of last year? I have discussed both these stocks at length in previous letters and annual reports, but let me add some more color on why we did not sell.

Fiat Chrysler Automobiles (FCA)

In 2012, when we first invested around $60 million in FCA, the entire market cap of the company was around $5 billion. One of the largest businesses on the planet with over $130 billion in topline revenue had its equity valued at less than 4% of revenue. The $5 billion market cap included 90% ownership of Ferrari, which was spun out in 2016 and is currently valued at $21 billion. FCA recently sold Magneti Marelli, a wholly-owned auto parts company, for $7 billion. That too was buried in the $5 billion. And there are market rumors that another obscure subsidiary, Comau, may be sold for something north of $2 billion. In 2012, I ascribed zero value to Comau, less than a billion to Marelli and did not focus much on the 7000 cars/year that Ferrari sold.

What I was focused on in 2012 was the very unusual leader FCA had at its helm. I probably would have taken a pass on FCA in 2012 if Sergio Marchionne wasn't running it. In 2012 Mr. Market did not appreciate that the bankruptcies of GM and Chrysler had allowed them to become lean, mean fighting machines. Most of their legacy liabilities were history and they had a complete reset in labor costs. Detroit went from being the worst place on the planet to build a car to the best. I also saw incredible value in its Jeep, Ram and minivan franchises. Ferrari, Maserati and Alfa Romeo were icing on the cake.

What took place at FCA from 2012-2018 was exciting to watch from the sidelines. Sergio got rid of virtually every "me too" product in the lineup. Today, FCA pretty much does not manufacture sedans in North America. They killed virtually every sedan and doubled down on Jeep, RAM and SUVs – nearly half a decade ahead of GM and Ford.

In 2012, about 14.4 million cars and trucks were sold in the United States. Last year, the number was 17.3 million – an increase of 20%. Compare that to FCA's sales increase from 1.65 million in 2012 to 2.24 million in 2018 – an increase of 36%. But that does not tell the full story. In 2012, FCA sold about 335,000 sedans like the Chrysler 200, 300 and Dodge Avenger. All three (and many more) name plates were killed. In addition, FCA significantly cut back on low margin fleet sales. Basically, the company went from selling 1.3 million trucks and SUVs in 2012 to 2.2 million in 2018. Not only did volumes go up 70% in six years, but margins went from the lowest of the big three to the highest. FCA was dealt the worst hand of the Detroit big three and ended up with the best hand. By January 2018, not surprisingly, FCA had delivered a 7-8x return to us in less than six years.

So, why not sell? As hard as it may be to believe, we are not done yet. In June, 2018, the company published its detailed plans and targets for 2022. If there are no buybacks or dividends, the company expects to have north of $33 billion in net industrial cash by the end of 2022. For reference, the market cap of Fiat Chrysler at the end of 2018 was less than $23 billion. What happens if they buy back $10-20 billion of stock in the next few years?

And if we ignore the entire $33 billion of cash, the stock is changing hands at less than a P/E of 2 on target 2022 earnings. And those earnings are heavily sandbagged. They do not include the captive finance arm that they intend to buy or build. FCA makes virtually no money in Latin America, Europe or Asia today. It is very unlikely that will be the case in 2022. The company is taking several deliberate actions in all these geographies to make them shine. It also does not include the quite significant stock buybacks that may start by 2020.

As many of you know, sadly, Sergio Marchionne passed away in July 2018. Sergio's chosen successor, Mike Manley, is now the CEO and I have no doubt that Mike and his team are singularly focused on delivering the 2022 plan and then some. At this point, it looks quite dumb to sell, pay a lot of taxes and try to find something better than a stock trading at less than a P/E of 2 on conservative 2022 earnings - ignoring 2022 cash that is 150% of today's market cap! Mr. Market was quite stupid to price FCA at $5/share in 2012 and it is again stupidly pricing it at $14.25/share.

In short, Fiat Chrysler's $33 billion of 2022 target industrial cash, a P/E of less than 2 on 2022 target earnings, the under-$23-billion market cap and an ability to buyback a massive portion of shares outstanding (if the price doesn't move) would make selling Fiat Chrysler today a pretty dumb move. In 2012 the market cap was around $5 billion and they targeted earnings of over $5 billion in 2018. No one (except me) believed them.

What they actually delivered was asset sales and spinoffs valued at $28 billion *and* earnings of over $3 billion after removing the very significant earnings of Ferrari and Magneti Marelli. It would surprise me if they did not blow past their 2022 targets. This is Sergio's hand-picked battle tested dream team that ran circles around GM and Ford. For this crew the 2022 plan are sacrosanct commandments that they co-developed with their martyr Sergio and they are hell bent on delivering it.

For further color, I have written and spoken about Fiat Chrysler in various letters/annual reports and transcripts in the past. You can access them here, here, and here (the id is ***pabraifunds*** and password is ***warren***).

Rain Industries

Rain Industries is headquartered in Hyderabad, India. However, the bulk of its operations (and revenues) are in the United States and Europe. When Pabrai Funds first invested in Rain in mid-2015, the market cap was $175 million. This was a business that had revenues of $1.9 billion in 2013 and 2014. I thought the odds were pretty high that it would generate over $175 million in after-tax earnings in a single year in the not too distant future – and in the 12 months ended 9/30/18, Rain reported over $165 million in after-tax earnings. That number includes over $70 million in depreciation and amortization. Free Cash flow (before capex) exceeded $235 million.

Indian securities laws do not allow any single Foreign Portfolio Investor (FPI) to own more than 10% of any listed business. Thus, all we could invest in Rain Industries was a bit less than $20 million. We own 9.8% of Rain Industries. If these ownership limits did not exist and we could find willing sellers, I would have been happy to have Pabrai Funds put $60 million into Rain and own about 30% of the business.

A business generating $165 million in after-tax earnings, it is not going to change hands at $175 million. And that indeed turned out to be true. On January 8, 2018, Rain's market cap was over $2.35 billion. A nice home run! We had more than a 12x return in less than three years.

So, why didn't we sell? What stopped me from selling is that I got to know the business and its amazing leader, Jagan Reddy, a lot better over the last few years.

In the last 3+ years that we have owned Rain, I have seen Jagan Reddy (Rain's Managing Director and 40+% shareholder) make one smart decision after another. In fact, I have never seen Jagan make even one dumb decision. He has made very large capital allocation calls over the last 12+ years and they have been flawless. It is a remarkable record. He is a dream manager.

In 2006, Rain was a sleepy Indian cement company with a small pet coke calcining operation based in India with revenues of under $115 million. Seven years later, revenues were $1.9 billion and net income exceeded $115 million. Jagan achieved all this without issuing a single share of stock. He took on a lot of debt, but it was shrewdly arranged where the only recourse was to the assets he was purchasing. In 2007 and 2013, he purchased two remarkable assets for $1.5 billion with no money down, high-yield debt and no recourse beyond the assets acquired! In fact, the 2nd asset, Rutgers, was bought with all the recourse being limited to the 1st asset he purchased (CII Carbon).

After each acquisition, Jagan rolled up his sleeves to take costs out and make both operations the lowest cost operators in the entire industry. At industry low points, Rain's competitors have mothballed plants and lost money, but Rain has always been in the black. Through internal accruals, Rain has thus far paid back $600 million of the $1.5 billion it borrowed. It refinanced the debt with perfect timing in early 2018 - extending maturities and cutting the interest rate substantially.

To give you an example of how Jagan thinks, the company has embarked on two growth capex projects in 2018 that will collectively cost $140 million. It would surprise me if these projects do not increase after-tax earnings by at least $30 million when completed in 2019. Intrinsic value will go up by around $300 million. He is not done yet. Every year Rain is going to hand Jagan $100-$250 million in cash. It will get intelligently redeployed. And each time he'll probably increase market value by 2x or more of the capex spend. It would be very dumb to say goodbye to such a gifted leader and capital allocator.

Rain is being valued these days at $560 million. A bad year for the company would mean floor earnings of perhaps $100 million. A good year may produce more than $250 million in after-tax profit. Perhaps average earnings will be $150 million. However, we have to add to that Jagan's magic with reinvesting earnings at a high ROE. In that scenario, "floor earnings" may very well be $200 million in a few years. Rain is cheap based on estimated future cash flows if intrinsic value does not increase. It is insanely cheap if earnings are redeployed at a 30+% after tax annual return.

Jagan's hands were tied behind his back with the heavy debt load and lack of capital for most of his career. He is finally getting to flex his muscles. For the first time, he's likely to be handed $100-250 million *every year*. I'd like to stick around to see what Rain looks like in 5-10 years. Last year Rain started an "Advanced Materials" business unit and brought in a senior executive from BASF to run it. Advanced Materials may be Jagan's next home run.

In hindsight, it was likely a mistake for at least PIF3 not to lighten up when the stock went over Rs. 400/share. We did sell some of PIF3's Rain position at around Rs. 375, but the stock wasn't there for very long and as Rain's stock price declined, our selling ended. I will continue to carefully monitor Rain and lighten up our holdings if such a move is warranted.

For further color, I have written and spoken about Rain in various letters/annual reports and transcripts in the past. You can access them here, here and here.

Other Bets

I think Pabrai Funds has the most exciting and undervalued portfolio in the 19+ year history of the funds - with perhaps the sole exception of Q1 2009. Besides Fiat Chrysler and Rain Industries, we own some truly exceptional businesses run by exceptional managers bought at exceptional prices. We have made some great investments in 2017 and 2018 and, over time, Mr. Market will recognize them as such. I love what we own. I am confident that we will make up the unrealized losses of 2018 (and then some) in the not too distant future.

Alignment of Interests

My immediate family has a stake of 400,859 units of PIF2 and 1,253,074 units of PIF4. In addition, the administrative team at Pabrai Funds and my immediate family owns 54,157 units of PIF4 and 17,192 units of PIF3 in various retirement accounts. Finally, The Dakshana Foundation owns 77,006 units of PIF3. The aggregate stake of the Pabrai family, the Pabrai Funds team and The Dakshana Foundation in Pabrai Funds is worth approximately $80 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. No fees were earned in Q4 2018.

My family and I have an approximately $13.2 million investment in Dhandho Holdings. Additionally, The Dakshana Foundation has an approximately $0.8 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.

Pabrai Funds 2018 Annual Meeting Presentation

We had two very successful annual meetings in September at Soka University in California and at Carlucci's in Chicago. It was a pleasure to meet old friends and partners and welcome new ones. I'm very grateful to Lynn, Betsy, Karen, Valerie, Julie and Jennifer for all their diligence in organizing the various facets of the meetings and dinners so flawlessly.

The link to the annual meeting presentation is here and on our website for your perusal (the password to the video is "Munger"):

https://vimeo.com/290342536

The transcript to the meeting will be posted on the website in Q1 2019.

Chai With Pabrai Blog

Please check out my blog www.ChaiWithPabrai.com which I try to keep updated. Here is a recent addition to the blog:

The Ten Commandments of Investment Management -Boston College

I very much enjoyed giving my talk on "The Ten Commandments of Investment Management" to Prof. Arvind Navaratnam's class on Value Investing at the Carroll School of Management (Boston College) in October 2018. It was my 8th year in a row! The talk is followed by a Q&A session where we discussed investing in India, a fair management fee structure, 2008 financial crisis and Sergio Marchionne.

http://www.chaiwithpabrai.com/blog/the-ten-commandments-of-investment-management

You may also enjoy Munger's commentary on Pabrai Funds 0/6/25 fee structure. A pat on the back by Charlie is rare and I am over the moon about it.

https://www.youtube.com/watch?v=lfRWWxo3Y4Y

Annual Report – Will be out in Q2 2019

Our modus operandi now is 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 2019.

Final K-1's (for US Investors)

For PIF2 and PIF4 investors, we expect your final K-1s to be emailed to you (password protected) in March 2019.

2019 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 7, 2019, we will have the 6th 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 have rented bikes from The Path Bike Shop. 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 7th, 2019** 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 14th, 2019** 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 (Chicago only)

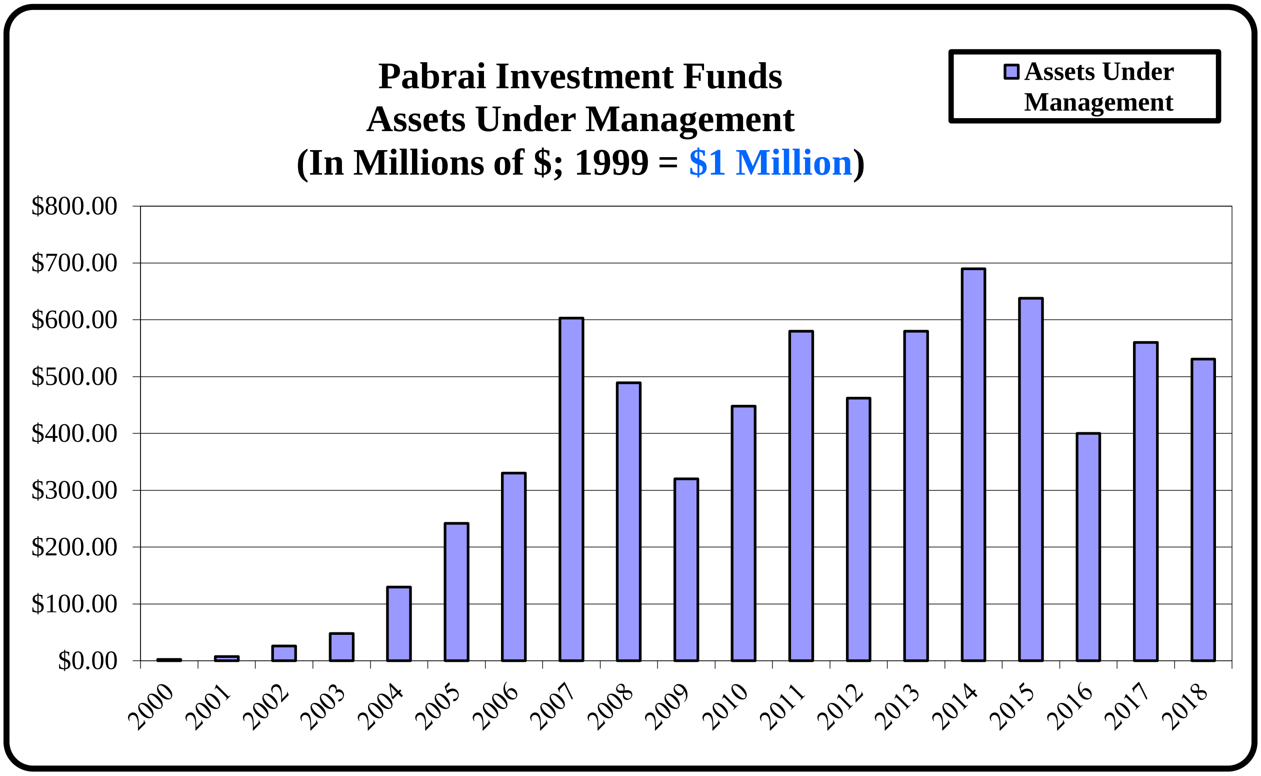
In lieu of dinner in California, we'll have an extended cocktail hour with expanded appetizers (multiple food stations), and lots of tables to sit and chat.

The invites will go out electronically via email in July 2019. 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 $531 million in assets under management between all the funds as of January 1, 2019.



It is a true joy to manage Pabrai Funds. I love it! 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.

Appendix A

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
1,959,084	06/30/2018	$106.77
1,964,373	09/30/2018	$94.53
1,884,302	12/31/2018	$83.13

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
2,507,145	04/30/2018	$83.22
2,510,479	05/31/2018	$76.68
2,510,479	06/30/2018	$66.60
2,505,720	07/31/2018	$65.84
2,505,720	08/31/2018	$65.52
2,505,720	09/30/2018	$59.45
2,505,720	10/31/2018	$54.43
2,522,491	11/30/2018	$54.35
2,473,097	12/31/2018	$51.42

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
8,398,835	06/30/2018	$39.70
8,398,835	09/30/2018	$36.67
7,809,565	12/31/2018	$31.64