

Kubera Cross-Border Fund

Quarterly Newsletter Oct – Dec 2013

Fund Performance as at 31 Dec 2013

NAV	US\$ 0.54 (un-audited)
NAV plus shareholder distributions	US\$ 0.87
Change from prior qtr*	-2%
Change from prior year*	-22%
Change from 2 yrs ago*	-28%
Total net assets	US\$ 59.5m
Shares outstanding	109.7m
Share price	US\$ 0.31
Market capitalization	US\$ 34m
Manager co-invest	9% pro rata of each investment (US\$ 12.2m to date)

Fund Facts

Bloomberg code	KUBC LN
Reuters code	KUBCq.L
ISIN	KYG522771032
Listing	AIM/LSE
Inception	27 Dec 2006
Domicile	Cayman Islands
Structure	Closed-end
Reporting/valuations	US GAAP

Contact Information

Advisors

Nominated Adviser	Grant Thornton UK LLP
Administrator	IOMA Fund and Investment Management Limited ('IOMA')
Custodian	Kotak
Auditor	KPMG

Manager

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Broker

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Investment Objective

Kubera Cross-Border Fund Limited (the 'Fund') is a private equity fund focused on investing in businesses that primarily operate in the US-India corridor. Several of the Fund's portfolio companies benefit from business activities in the growing Indian domestic market. The Fund adopted a realisation strategy following the global macroeconomic crisis of 2008-09. Shareholder resolutions in early 2013 confirmed a fixed life for the Fund and an orderly realisation strategy. The Fund's investment manager, Kubera Partners LLC (the 'Manager') is committed to realising the remaining investments in a timely manner, in the best interests of shareholders.

Portfolio

The Fund has made nine investments since its launch in late 2006 and was rendered fully invested by the end of 2008. Eight of these investments are in companies that are domiciled in India. Two investments were realised in 2010. Portfolio details are provided below. The financial information excludes the Manager's co-investment of 9% pro rata alongside every investment made by the Fund. The Manager's co-invest amounts to US\$ 12.2m.

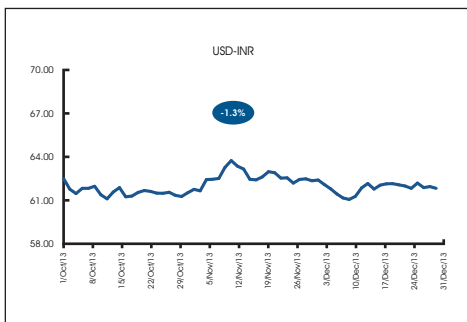
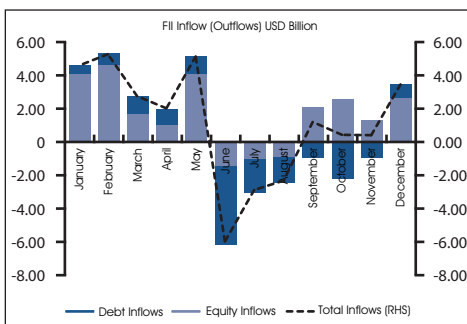
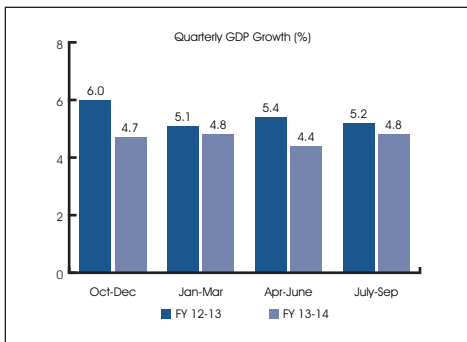
All proceeds generated from the realisation of investments are distributed by the Fund, subject to retaining a reserve to meet operating costs and liabilities and to enable the Fund to make follow-on investments in existing portfolio companies in order to take advantage of opportunities that enhance and/or protect the value of existing holdings. The level of cash held is reviewed regularly by the Fund's board of directors (the 'Board') and the Manager.

(\$ in millions) Company	Fund's Share ¹				Per Share ²		
	Capital Invested	Cash Realized	Carrying Value	Total Value	Capital Distributions	Carrying Value	Total Value
Portfolio: Realized	61.3	47.7	–	47.7	0.33	–	0.33
Portfolio: Unrealized							
Essel Shyam Communication	13.4	0.4	24.3	24.7	–	0.22	0.22
Synergies Castings ³	26.9	0.6	20.8	21.4	–	0.19	0.19
Venture Infotek	–	–	5.0	5.0	–	0.05	0.05
Ocimum Biosolutions ⁴	15.0	–	2.0	2.0	–	0.02	0.02
Spark Capital	1.4	0.2	1.4	1.6	–	0.01	0.01
GSS Infotech	9.3	0.1	0.5	0.6	–	0.00	0.00
	66.0	1.3	54.0	55.3	–	0.49	0.49
Total Portfolio	127.3	49.0	54.0	103.0	0.33	0.49	0.82
Cash						0.05	0.05
Total Fund⁴					0.33	0.54	0.87

Notes:

- 1 Excludes co-investment by affiliates of the Investment Manager which amounts to 9% of every investment made by the Fund
- 2 Includes loans of US\$ 2.8 million extended to the Company in February 2010 and March 2011
- 3 Includes loan of US\$ 1.9 million extended to the Company in December 2010; carrying value as of December 31, 2013
- 4 Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of -2.3%, based on the 31 December 2013 NAV of \$0.54 and cash distribution of \$0.28 in October 2010, \$0.02 in July 2012 and \$0.03 in June 2013

* -% change from prior periods computed for NAV plus shareholder distributions to date.



India Economic Review¹

Indian gross domestic product (GDP) growth accelerated to 4.8% in the quarter ending September 2013 compared to 4.4% in the preceding quarter. This growth came on the back of rising exports and a good monsoon helping the recovery; however concerns with low investment, consumption-led growth coupled with persistent high inflation are still holding back the overall economy.

During the quarter, India received a total inflow of USD 4.16 billion from Foreign Institutional Investors (FIIs), with equity markets witnessing a net inflow of USD 6.45 billion, while debt markets witnessed a net outflow of USD 2.30 billion. As a result of the high capital inflows into equity markets, the benchmark equity index (Sensex) rose 9% during the quarter, whereas the broader market index (the NIFTY Midcap) outperformed the Sensex by a significant margin, rising 21% during the quarter.

The rupee continues to trade at the lower end of its range, but appreciated marginally to end the quarter at 61.8 rupees to the US dollar compared to 62.62 rupees to the US dollar at the end of previous quarter. Since January 2013, the rupee has weakened by 13% and is amongst the top losing currencies globally in 2013.

The road to Indian economic recovery still appears challenging, with persistently high interest rates affecting consumer & industrial demand, rising global crude prices affecting the current account deficit and increasing the volatility of the currency thereby fuelling domestic inflation.

Quarterly portfolio summary

At close of business on 31st December 2013, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.54. The aggregate of shareholder distributions to date and the NAV amount to US\$ 0.87 per share. The denomination of the Fund is US Dollars; the Fund does not hedge the currency risk relating to its investments denominated in Indian rupees.

The Investment Manager remains focused on realizing the remaining portfolio, details of which are provided in this report. Despite the challenges of a slowing economy and the nature of the remaining assets of the portfolio, the Investment Manager is hopeful that the portfolio will be fully realized in the next two to three years.

Since the inception of the Fund, the rupee has devalued relative to the US dollar by over 39.5%. The Fund's performance in rupee terms, as of the 31st December 2013 NAV, amounts to a multiple of 1.2x of cost; in dollar terms as mentioned above it is 0.87x (inclusive of total distributions of \$ 0.33/share).

¹ Sources: Reserve Bank of India, BSE India, Securities and Exchange Board of India, Bloomberg & others.

Portfolio Update



Company Overview

ESCL provides solutions for the media broadcasting (teleporting, content management, play outs and mobile connectivity via DSNG vans) and satellite communications industries. ESCL also implements TV channel build outs.

Investment Summary

- **Investment amount²:** \$13.4 million
- **Investment Date:** November 2008
- **KUBC Holding:** 27.6%
- **Type of security:** Preference and equity shares in India entity
- **Current Value:** \$24.3 million
- **NAV/Share:** \$0.22

Valuation Methodology

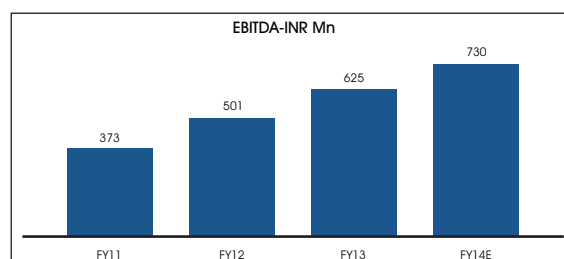
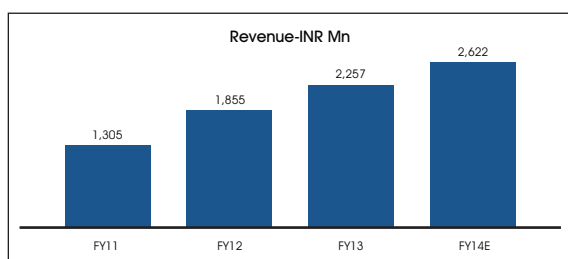
- Weighted average of last and forward year trading multiples including: EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- The sale process for the company remains under way, after the issue over the summer following the rupee devaluation. Several parties are interested, while no prediction can be made at this time regarding outcome or timing.

Financial Updates

- The Company performed modestly during the quarter; key operating metrics during the quarter were slightly down. The core business segment of teleport services continues to perform well and demonstrated strong growth both on a QoQ & YoY basis.
- During the quarter:
 - **YoY Sales:** Were lower by 5%
 - **YoY EBITDA:** Was lower by 11%
 - **YoY Net Profit:** Was lower by 36%
- The value of our investment during the quarter decreased by 3%, reflecting modest financial performance.



² Excludes manager's co-invest, which is ~9% of each investment; data as of Dec 31, 2013.

Portfolio Update



Company Overview

Synergies Castings Limited (SCL) manufactures alloy and chrome plated wheels for OEMs. The company has one of the few integrated chrome plating facilities in the world, and the only one in India, with the capability to manufacture large diameter wheels.

Investment Summary

- **Investment amount³:** \$26.9 million
- **Investment Date:** December 2007
- **KUBC Holding:** 58.3%
- **Type of security:** Equity and preference shares in India entity
- **Current Value⁴:** \$21 million
- **NAV/Share:** \$0.19

Valuation Methodology

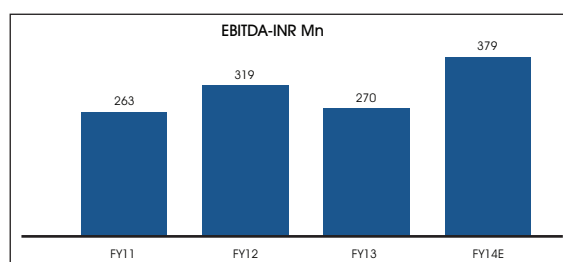
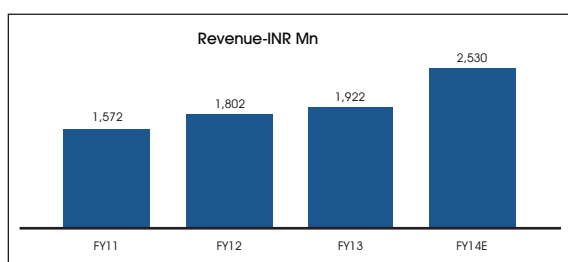
- Weighted average of last and forward year trading multiples including EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- The Company is slowly rebounding from the power and political issues in the state of Andhra Pradesh.
- While working capital remains constrained and this presents significant challenges in dealing with the Company's large order book, the Company made significant progress this quarter in resolving its remaining legacy debt issues.
- The Company also appears to be a likely beneficiary of punitive anti-dumping tariffs imposed recently on non-Indian vendors of wheels in the Indian market.

Financial Updates

- The Company showed a modest uptick in operating performance during the quarter:
 - **YoY Sales:** Were up by 9%
 - **YoY EBITDA:** Was lower by 29%
 - **YoY Net Profit:** Company reported a net loss of INR 7 million as compared to a net loss of INR 14 million during the same quarter last year
- The value of our investment during the quarter was lower by 4% primarily due to moderate financial performance and increase in overall debt.



³ Excludes manager's co-invest, which is 9% of each investment; data as of Dec 31, 2013.

⁴ Includes loan of \$2.8mn extended to the company in February 2010 and March 2011.

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Portfolio Update



Company Overview

Venture Infotek ("VI"⁵) is India's leading card transaction processing company, operating in three major business segments: Merchant Acquisition, Credit Card Issuance and Loyalty Cards.

Investment Summary

- **Investment amount⁶:** \$19.7 million
- **Investment Date:** December 2007
- **KUBC Holding:** 54%
- **Type of security:** Equity shares in India entity
- **Current Value:** \$5.01 million
- **NAV/Share:** \$0.05

Valuation Methodology

- The pending tax receipts are being discounted to present value.

Business Updates

- Pending tax cash receipts from government of India; the next hearing is now scheduled for February 2014.

Financial Updates

- Kubera exited from the business in 2010.
- Have already distributed \$0.33/share from the realized cash flows.
- The value of our investment during the quarter was higher by 2% due to currency fluctuations.

⁵ The company is now known as "Neopath Limited".

⁶ Excludes manager's co-invest, which is ~9% of each investment; data as of Dec 31, 2013.

Portfolio Update



Company Overview

Ocimum Biosolutions offers genomics outsourcing services and is a leading genomics outsourcing company based out of India.

Investment Summary

- **Investment amount⁷:** \$15 million
- **Investment Date:** December 2007
- **KUBC Holding:** 33.4%
- **Type of security:** Preference shares in India entity
- **Current Value⁸:** \$2 million
- **NAV/Share:** \$0.02

Valuation Methodology

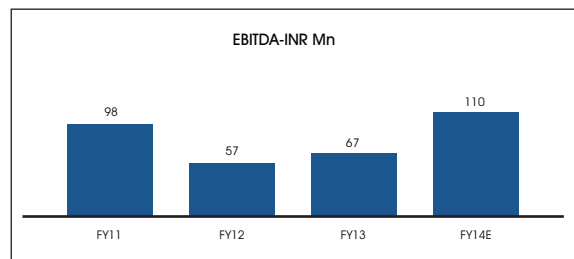
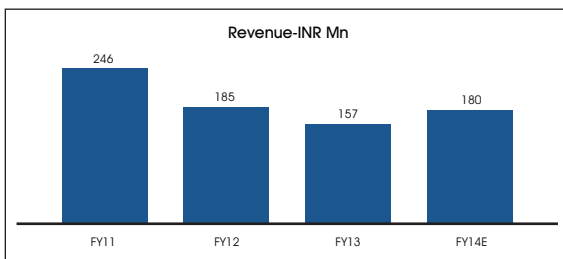
- We have written down the value of our equity investment to \$100,000, and are working with the promoters on the stabilization of the Indian business.

Business Updates

- We are in the early part of a discussion with management regarding the potential restructuring of the Company.

Financial Updates

- During the current quarter, the Company generated INR 40.2 million in revenues and INR 20.1 million in EBITDA with healthy EBITDA margins of 50%. A majority of current cash flows are being used to service outstanding debt.
- The value of our investment remained unchanged during the quarter.



7 Excludes manager's co-invest, which is ~9% of each investment; data as of Dec 31, 2013.

8 Includes loan of \$1.9mn or \$0.02 per share extended to Ocimum in December 2010; carrying value as of Dec 31, 2013.

Portfolio Update



Company Overview

Spark is a full service investment bank with strong presence in Southern India.

Investment Summary

- **Investment amount⁹:** \$1.4 million
- **Investment Date:** March 2008
- **KUBC Holding:** 11.6%
- **Type of security:** Equity shares in India entity
- **Current Value:** \$1.4 million
- **NAV/Share:** \$0.01

Valuation Methodology

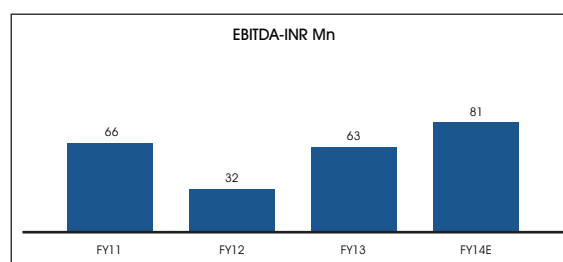
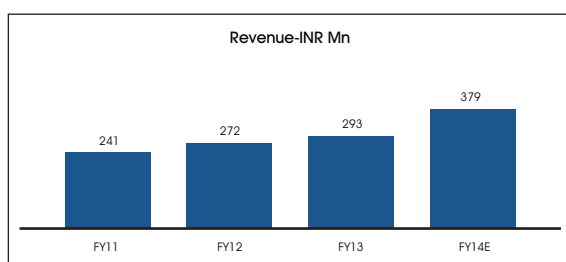
- Weighted average of last and forward year trading multiples including: EV/Revenues, P/BV, P/E, & discounted cash flows.

Business Updates

- We continue to speak with management regarding a potential buyback of our shares.

Financial Updates

- The Company performed moderately during the quarter, key operating metrics during the quarter were down due to weaker performance in the securities business division.
- During the quarter:
 - **YoY Sales:** Were lower by 10%
 - **YoY EBITDA:** Was lower by 40%
 - **YoY Net Profit:** Was lower by 38%
- The value of our investment remained unchanged during the quarter.



⁹ Excludes manager's co-invest, which is ~9% of each investment; data as of Dec 31, 2013.

Portfolio Update



Company Overview

GSS Infotech provides IT infrastructure management services and enterprise application integration services to mid market enterprises in the US. The company is listed on the National Stock Exchange in India.

Investment Summary

- **Investment amount**¹⁰: \$9.3 million
- **Investment Date**: January 2008, Pre-IPO deal; company listed in March 2008
- **KUBC Holding**: 6.4%
- **Type of security**: Equity shares in India entity
- **Current Value**: \$547,000
- **NAV/Share**: \$0.005

Valuation Methodology

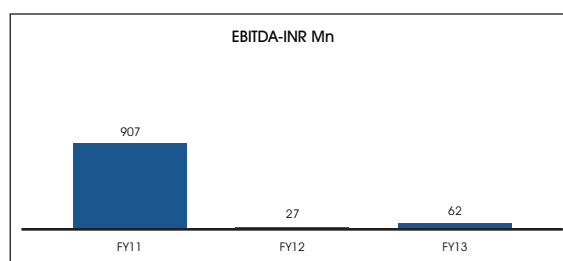
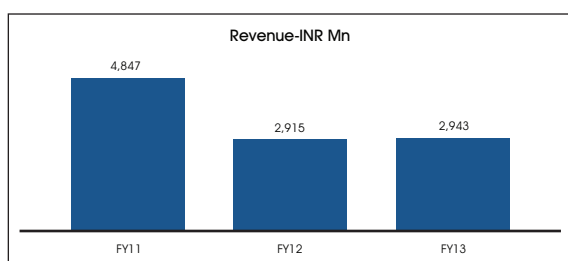
- GSS is a listed entity and the Company is valued on the basis of the publicly traded market price at the end of the quarter.

Business Updates

- The Company's turnaround continues to progress.

Financial Updates¹¹

- The Company's improved performance continued into the second quarter, as can be seen in the year over year results for this quarter:
 - **YoY Sales**: Were lower by 7%
 - **YoY EBITDA**: Company registered an EBITDA of INR 39 million as compared to INR -5.8 million during the same quarter last year
 - **YoY Net Profits**: Company registered net profit of INR 39 million as compared to net loss of INR 101 million during the same quarter last year
- The value of our investment was marginally higher primarily due to better financial performance and profitability from the company; the stock was up 14% during the quarter.



¹⁰ Excludes manager's co-invest, which is ~9% of each investment; data as of Dec 31, 2013.

¹¹ FY12 Financial are for 9 months ending 31st March 2012.

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DISCLAIMER

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The material in this document is not intended to provide, and should not be relied on, for accounting, legal or tax advice or investment recommendations or decisions. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in the Fund and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances.

The securities of the Fund have not been and will not be registered under any securities laws of the United States of America nor any of its territories or possessions or areas subject to its jurisdiction and, absent an exemption, may not be offered for sale or sold to nationals or residents thereof.

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No warranty is given, in whole or in part, regarding the performance of the Fund. There is no guarantee that investment objectives of the Fund will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

Forward-looking Statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Fund and its portfolio companies. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Fund or its portfolio companies' actual performance to be materially different from any future performance expressed or implied by such forward-looking statements. Such forward-looking statements based on assumptions regarding the Fund and its portfolio companies present and future business strategies and the political and economic environment in which they operate. Reliance should not be placed on these forward-looking statements, which reflect the view of Kubera Partners, LLC as of the date of the release of this document only.