

# Kubera Cross-Border Fund

Quarterly Newsletter Jan – Mar 2011

## Fund Performance as at 31 Mar 2011

NAV	<b>US\$ 1.08</b> <b>(un-audited)</b>
NAV plus shareholder distributions	<b>US\$ 1.36</b>
Change from prior qtr*	<b>6%</b>
Change from prior year*	<b>16%</b>
Change from 2 yrs ago*	<b>56%</b>
Total net assets	<b>US\$ 118.7m</b>
Shares outstanding	<b>109.7m</b>
Share price	<b>US\$ 0.79</b>
Market capitalization	<b>US\$ 86.7m</b>
Manager co-invest	<b>9% pro rata of each investment</b> <b>US\$ 11.8m to date</b>

## Fund Facts

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

## Contact Information

### Advisors

<b>Nominated Adviser</b>	Grant Thornton
<b>Administrator</b>	Multiconsult
<b>Custodian</b>	HSBC
<b>Auditor</b>	KPMG

### Manager

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### Broker

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## Profile

Kubera Cross-Border Fund Limited (the 'Fund') makes private equity investments in businesses that primarily operate in the US-India corridor. Several of the Fund's portfolio companies also benefit from business activities in the growing Indian domestic market.

The Fund is differentiated by its specialized investment focus that requires domain knowledge across multiple geographies, and the strong track record of the Fund's manager, Kubera Partners LLC (the 'Manager'), of investing in and managing cross-border businesses.

## Portfolio

The Fund has made nine investments since launch and is fully invested. Eight of these investments are in companies that are domiciled in India. Two investments were fully realized last year. Portfolio details are provided below. These figures exclude the Manager's co-investment of 9% pro rata alongside every investment made by the Fund (amounting to US\$ 11.8m to date).

At close of business on 31 March 2011, the Fund's un-audited net asset value per share ("NAV") was US\$ 1.08. Shareholder distributions to date taken together with the NAV total US\$ 1.36.

## Current Portfolio

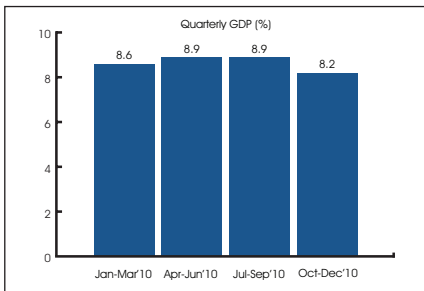
(\$ in millions) Company	Fund's Share			
	Capital Invested	Cash Realized	Carrying Value	Total Value
<b>Portfolio: Realized</b>				
Venture Infotek <sup>1</sup>	20.9	33.7	16.2	49.9
Infotech Enterprises	0.9	1.9	–	1.9
<b>Total</b>	<b>21.8</b>	<b>35.6</b>	<b>16.2</b>	<b>51.8</b>
<b>Portfolio: Unrealized/Partly Realized</b>				
Adayana <sup>2</sup>	21.1	3.6	28.6	32.2
Synergies Castings <sup>3</sup>	22.3	0.2	22.4	22.6
Essel Shyam Communication	13.4	–	19.4	19.4
Ocimum Biosolutions <sup>4</sup>	15.0	–	10.5	10.5
GSS Infotech	9.3	–	2.8	2.8
Kejriwal Stationary	18.2	–	2.1	2.1
Spark Capital	1.4	–	1.4	1.4
<b>Total</b>	<b>100.7</b>	<b>3.8</b>	<b>87.2</b>	<b>91.0</b>
<b>Total Portfolio</b>	<b>122.5</b>	<b>39.4</b>	<b>103.4</b>	<b>142.8</b>

Per Share Data	
Current Portfolio NAV	0.94
Cash in hand	0.14
Total Fund NAV	1.08
Gross IRR <sup>5</sup>	7.7%

### Notes:

- Includes loan of US\$ 1.1 million extended to the company in March 2009 and repaid in June 2009
- Includes loan of US\$ 3.1 million extended to the company in July 2009 and repaid in August 2010
- Includes loan of US\$ 2.9 million extended to the company in February 2010 and March 2011
- Includes loan of \$2.3 million extended to the company in December 2010
- Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of 7.7%, based on the 31 March 2011 NAV of \$1.08 and cash distribution of \$0.28 in October 2010.

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

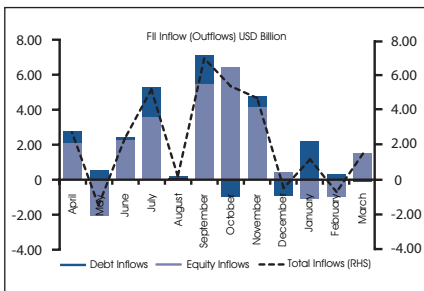


### India Economic and Market Review<sup>1</sup>

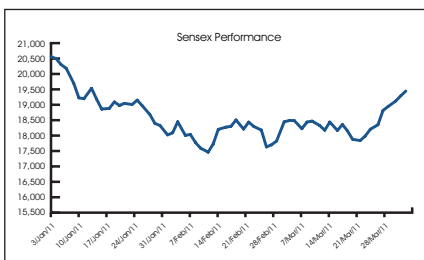
India's real GDP grew approximately 8.2% in the third quarter of FY 2011 as compared to 7.3% in the same quarter last year. Manufacturing, construction & mining grew at 5.6%, 8.0% & 6.0% respectively. The agricultural sector grew at 8.9% as compared to -1.6% last year due to a good monsoon season. Most analysts have revised their forecast downwards on the back of rising interest rates in the economy and now expect the Indian GDP growth for FY 2012 to be around 8.3%.

Inflation still remains a major concern for the economy majorly due to the increase in the price of crude oil. The overall wholesale price index based inflation was 8.31% in February rising faster than 8.23% in January. The Reserve Bank of India increased its key rates by 25 basis points for the eighth consecutive time in the last 13 months. It also increased its inflation forecast for the end of March from 7% to 8%, raising the expectation of additional interest rate rises going forward.

Indian merchandise exports grew by 49.7% during February to US\$ 23.5 billion, taking the April 2010 to February 2011 figure to US\$ 208.2 billion, an increase of 31.4% over the same period a year-ago. The growth in exports was driven mainly by engineering, petroleum and oil lubricants, cotton yarn, chemicals and electronics. Imports too increased by 21.2% in February to US\$ 31.7 billion. During April 2010 to February 2011, imports grew by 18% to US\$ 305.3 billion over the same period last year. The trade-gap for the period stood at US\$ 97 billion.



Foreign direct investment ('FDI') inflows in the country during the period from April 2010 to January 2011 declined by 25% to US\$ 17.08 billion against US\$ 22.09 billion in the same period a year ago. During the entire period, the services sector (financial & non-financial), attracted the maximum FDI investment, worth US\$ 26.59 billion. Computer software & hardware was the second best sector that attracted US\$ 10.64 billion, followed by telecommunications (US\$ 10.26 billion), housing & real estate (US\$ 9.4 billion), construction (US\$ 9.05 billion), automobile (5.78 billion), and power (US\$ 5.68 billion).



After the record inflows of overseas money during calendar year 2010, the start of 2011 saw some profit bookings from Foreign Institutional Investors ('FI') in Indian markets. FIs were net sellers in the first two months of calendar year 2011, but the markets saw some inflows during the month of March 2011. For the financial year 2011, overseas funds invested US\$ 28.06 billion in Indian markets (US\$ 21.83 billion in Indian equities market & US\$ 6.23 billion in Indian Debt Markets).

The BSE Sensex (comprising of 30 stocks) was very volatile during December 2010 to March 2011 period and declined by 5.43% over the quarter, ending at 19,445 points. During the same period the mid-cap index (NIFTY Midcap) underperformed the broad index significantly, and was down by 15%. At current prices Indian stock market is trading at trailing P/E ratio of 17x and forward P/E ratio of approximately 15x- 16x.

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

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## Portfolio Update

Company	Description	NAV Per Share <sup>1</sup> (US\$)	% Stake	FY 2012E Sales (US\$m)	FY 2007-12 Sales CAGR	Quarterly Update
 ADAYANA	E-learning & training solutions provider	0.26	31.1%	56.8	30%	While overall business spending on e-learning in the US remains volatile, revenues will be up year over year in FY11 and the Company expects to continue on its growth path.
 SYNERGIES CASTINGS LIMITED	#1 Indian alloy wheel vendor	0.20 <sup>2</sup>	56.7%	47	14%	The company had a strong FY11 and has successfully completed the capacity expansion to support the robust order book going into the next fiscal year.
 ESSEL SHYAM	#1 independent Indian media broadcasting solutions provider	0.18	27.6%	35.5	17%	The company had a strong FY11 driven by increased outsourcing by global broadcasters and its foray into new project areas. It is also well positioned for FY12.
 Ocimum Biosolutions	#1 genomics outsourcing company outside India	0.10 <sup>3</sup>	33.4%	17	42%	The company is emerging from the slowdown in the US with a renewed focus on bioresearch services. The database business continues to struggle but the bioresearch business has shown steady growth and the LIMS business has also picked up in emerging markets.
 gss	Provider of IT infrastructure management and enterprise application integration services	0.03	6.4%	109	35% <sup>4</sup>	GSS had a strong year on year growth of 24% in Q2 FY11 driven by strong demand for its services in the US market.
 KEJRIWAL STATIONERY	Manufacturer & distributor of stationery products	0.02	25.1%	NM <sup>5</sup>	NM <sup>5</sup>	The company continues to struggle. Sales are pre-dominantly driven by pass-through trading business.
 SPARK CAPITAL	#1 South Indian investment bank	0.01	9.1%	5.25	19%	The Indian deal activity has been robust over the past quarter and the bank will benefit across its investment banking and brokerage businesses.
Total portfolio		0.79				
Cash from portfolio realization pending receipt <sup>6</sup>		0.15				
Cash in hand		0.14				
TOTAL NAV as at 31 March 2011		1.08				

1 Excludes co-investment by affiliates of the Investment Manager which amounts to 9% of every investment made by the Fund

2 Includes loan of US\$ 2.9 million or US\$ 0.026 per share granted to the company in February 2010 and March 2011

3 Includes loan of US\$ 2.3 million or US\$ 0.02 per share granted to the company in December 2010

4 FY11E revenue figure sourced from broker reports. CAGR shown is for the period FY07 to FY11

5 Revenue growth driven almost entirely by trading and therefore not a meaningful indicator of value

6 Gross amount of standard escrow holdbacks and withholding taxes from realization of investment in Venture Infotek, to be gradually released over the next three years

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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.

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### 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.