

Kubera Cross-Border Fund

Quarterly Newsletter Jan – Mar 2013

Fund Performance as at 31 Mar 2013

NAV	US\$ 0.73 (un-audited)
NAV plus shareholder distributions	US\$ 1.03
Change from prior qtr*	-9%
Change from prior year*	-15%
Change from 2 yrs ago*	-25%
Total net assets	US\$ 79.8m
Shares outstanding	109.7m
Share price	US\$ 0.53
Market capitalisation	US\$ 58.2m
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
Administrator	Cim Fund Services
Custodian	HSBC/Kotak
Auditor	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 specialised investment focus that requires domain knowledge across multiple geographies, and the track record of the principals of the Fund's manager, Kubera Partners LLC (the 'Manager'), of investing in and managing India-centric cross-border businesses.

Portfolio

The Fund has made nine investments since its launch in 2006 and is fully invested. Eight of these investments are 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 to date.

Shareholders have approved an investment policy and objective to realise the Fund's investments in an orderly fashion and return the net proceeds to shareholders. All cash is distributed by the Fund, subject to retaining a reserve to meet operating cost 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 and the Manager.

At close of business on 29 March 2013, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.73. The aggregate of shareholder distributions to date and the NAV amount to US\$ 1.03. The denomination of the Fund is US Dollars; the Fund does not hedge its investments held in Indian Rupees.

Current Portfolio

(\$ in millions) Company	Fund's Share ¹				Per Share ¹			
	Capital Invested	Cash Realized	Carrying Value	Total Value	Cost Basis (Adjusted for Buybacks) ²	Capital Distributions ⁷	Carrying Value	Total Value
Portfolio: Realized								
Venture Infotek ²	21.1	37.1	11.3	48.4	0.11	0.30	0.10	0.40
Infotech Enterprises	0.9	1.9	-	1.9	0.00	-	-	-
Total	22.0	39.0	11.3	50.3	0.11	0.30	0.10	0.40
Portfolio: Unrealized								
Adayana ³	21.1	3.6	8.4	12.0	0.12	-	0.08	0.08
Synergies Castings ⁴	26.9	0.5	24.7	25.2	0.15	-	0.22	0.22
Essel Shyam Communication	13.4	0.3	26.4	26.7	0.07	-	0.24	0.24
Ocimum Biosolutions ⁵	15.0	-	2.0	2.0	0.08	-	0.02	0.02
GSS Infotech	9.3	0.1	0.6	0.7	0.05	-	0.01	0.01
Spark Capital	1.4	0.2	1.4	1.6	0.01	-	0.01	0.01
Kejriwal Stationary	18.2	-	0.0	0.0	0.10	-	0.00	0.00
Total	105.3	4.7	63.5	68.2	0.57	-	0.58	0.58
Total Portfolio	127.3	43.7	74.8	118.5	0.68	0.30	0.68	0.98
Expenses since listing								
Cash					0.06		0.05	0.05
Total Fund⁸					1.00	0.30	0.73	1.03

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\$ 1.1 million extended to the company in March 2009 and repaid in June 2009

3 Includes loan of US\$ 3.1 million extended to the company in July 2009 and repaid in August 2010

4 Includes loans of US\$ 2.8 million extended to the Company in February 2010 and March 2011

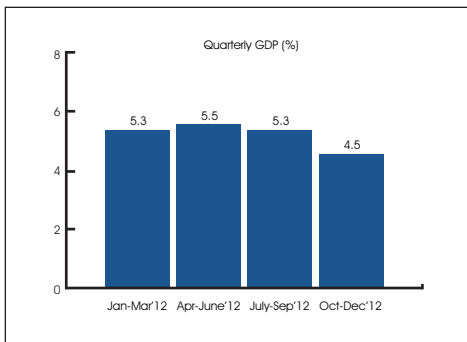
5 Includes loan of US\$ 1.9 million extended to the Company in December 2010; carrying value as of March 31, 2013

6 Methodology: the entire capital of the fund, including investments, expenses from inception and current cash has been pro rated to add up to \$1.00 per share at listing; the portfolio investments have been adjusted for the gain on buybacks. The Fund has conducted three buybacks as follows – December 2008: 53.1mn shares bought back for \$30.1mn at \$0.57 per share; June 2009: 40.9mn shares bought back for \$25mn at \$0.61 per share; and June 2010: 2.1mn shares bought back for \$1.7mn at a weighted average price of \$0.77 per share. The cost basis of each portfolio company has been adjusted to reflect the gain on buyback for continuing shareholders

7 Venture Infotek realizations have been returned as a capital distribution; the Infotech Enterprises realization was returned as a buyback and hence shows as zero in the table

8 Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of 0.5%, based on the 31 March 2013 NAV of \$0.73 and cash distribution of \$0.28 in October 2010 and \$0.02 in July 2012

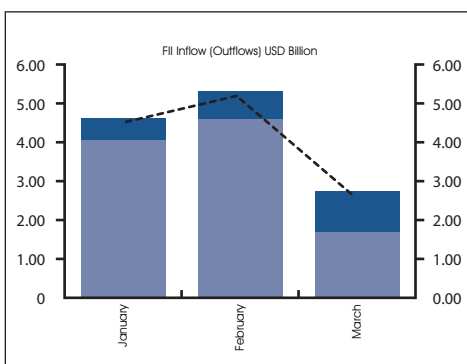
* -% change from prior periods computed for NAV plus shareholder distributions to date.



India Economic and Market Review¹

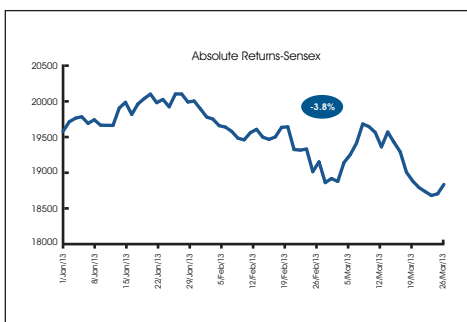
Indian GDP (gross domestic product) growth decreased to 4.5% in the quarter ending December 2012 vis-à-vis 5.3% in the previous quarter; the growth was significantly lower than the 6.1% recorded in the corresponding quarter of 2011. Slower economic growth has accompanied lower levels of investment and relatively high inflation. High fiscal and current account deficits continue to persist, with the fiscal deficit for 2012-13 estimated to be 5.3% of GDP.

Despite government embarking on reform programmes to attract Foreign Direct Investments (FDI), overall investment activity has remained subdued.

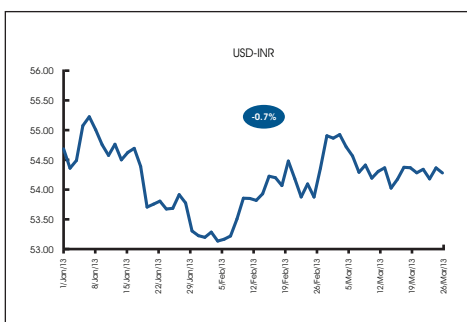


FDI inflows during the period from April 2012 to February 2013 decreased by 38% to US\$ 20.9 billion vis-à-vis US\$ 33.5 billion in the same period of 2011-12. During the entire period, the services sector (financial & non-financial), attracted the highest level of FDI investment, worth US\$ 4.7 billion. The hotel and tourism attracted the second highest level of FDI with US\$ 3.2 billion, followed by the metallurgical industry (US\$ 1.4 billion), the automobile industry (US\$ 1.3 billion), the housing and real estate sector (US\$ 1.3 billion), the drugs and pharmaceuticals sector (US\$ 1.1 billion), the power sector (US\$ 0.5 billion), the computer software and hardware sector (US\$ 0.5 billion) and finally the telecommunication sector (US\$ 0.1 billion).

Foreign institutional investors were net buyers during the quarter and invested a total of US\$ 12.7 billion in Indian markets, which was split between US\$ 10.3 billion in the Indian equities market and US\$ 2.4 billion in the Indian debt markets.



The BSE Sensex (which comprises 30 stocks) decreased by 3.8% during the quarter, ending at 18,836 basis points. During the same period the mid-cap index (NIFTY Midcap) decreased by 20%. At current prices the Indian stock market is trading at a trailing P/E ratio of 13x and a forward P/E ratio of approximately 11x – 12x.



Considering India's high current account deficit, the risk of slowdown in capital inflows will exacerbate currency depreciation pressures. The Indian Rupee ended at 54.28 per US dollar.

¹ 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 ¹ (US\$)		Change	% Stake ¹	Quarterly Update
		31 Mar 2013	31 Dec 2012			
	#1 independent Indian media broadcasting solutions provider	0.24	0.23	0.01	27.6%	<ul style="list-style-type: none"> The NAV per share increased by US\$0.01. This is primarily due to the increase in valuation of comparable public companies. A sale process of the company was initiated during the quarter – all the major shareholders of the company including Kubera are offering their equity for sale. A reputed investment bank has been appointed and has begun the initial outreach. The company continues to demonstrate strong operating performance.
	#1 Indian alloy wheel vendor	0.22 ²	0.23 ²	-0.01	58.3%	<ul style="list-style-type: none"> The NAV per share decreased by US\$0.01 for two reasons: (i) Revenues and EBITDA for FY13 were lower than budget as power issues were only resolved in January 2013; (ii) Management has moderated its forecast for FY14, given the working capital constraints, although the company continues to maintain a very strong order book and is running at full capacity. The company is yet to close out its negotiation with the remaining legacy lender. We are hopeful the negotiation will be concluded and the matter will be resolved in the first half of this financial year. The company was awarded the "Superior Quality Performance Award 2012" from Toyota India for Zero PPM and 100% Just-In-Time delivery. Of its 193 suppliers, Toyota India only honored 9 suppliers, with Synergies being the only alloy wheel manufacturer selected.
	Cash from portfolio realisation in 2010 pending receipt	0.10	0.12	-0.02	–	<ul style="list-style-type: none"> The NAV per share decreased by US\$0.02. This is due to a settlement the company has entered into with the buyer, with respect to the monies lying in escrow that were subject to an arbitration process, and which were to be paid out in installments with the final installment being in December 2014. The settlement is at a lower amount than our carrying value. Nevertheless, we view the settlement as a very positive outcome, given our current assessment of the time, expense and potential uncertainty likely to be involved in a continued arbitration process. The company expects the monies to be released from escrow this quarter. With the settlement behind us, the only asset left in the company is the withholding tax refund. The hearing, which was scheduled for April 2013, has been adjourned to September 2013. We continue to be disappointed by the bureaucratic delays but remain optimistic about the eventual outcome.
	E-learning & training solutions provider	0.08	0.15	-0.07	31.1%	<ul style="list-style-type: none"> The NAV per share decreased by US\$0.07 for two reasons: (i) both revenues and EBITDA for FY13 are expected to be below forecast. While revenues are expected to be marginally lower, EBITDA is expected to be closer to \$2.1mn, against the \$3.2mn forecasted last year. Growth has usually been back-ended for Adayana; however slower decision-making by clients has resulted in weaker performance; (ii) the company has also reduced its budget for FY14. Revenues are expected to be flat, with a modest increase in EBITDA. The macro environment for Adayana remains volatile with the US Government cutbacks (particularly the department of defence) and the policy and budget uncertainty in the US. The business remains over leveraged and the company has not resolved the restructuring of its balance sheet. We are engaged in a three way restructuring exercise with the lender and management, and hope to reach a settlement soon.
	#1 genomics outsourcing company out of India	0.02 ³	0.02 ³	0.00	33.4%	<ul style="list-style-type: none"> The value of our investment remained unchanged. The business environment remains challenging with near term cash flow constraints. Company's cash flow in excess of operating expenses is being used to service debt. The company is engaging with its lenders to find ways to de-lever its balance sheet, including the possibility of selling its India campus land.

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Portfolio Update

Company	Description	NAV Per Share ¹ (US\$)		Change	% Stake ¹	Quarterly Update
		31 Mar 2013	31 Dec 2012			
 SPARK CAPITAL enhancing value	#1 South Indian investment bank	0.01	0.01	0.00	9.1%	<ul style="list-style-type: none"> The value of our investment remained unchanged. FY2013 was a moderate year for the company, given the overall slowdown in the economy.
 gss infotech	Provider of IT infrastructure management and enterprise application integration services	0.01	0.01	0.00	6.4%	<ul style="list-style-type: none"> The value of our investment remained unchanged. We are engaged with the company to see the results of the turnaround process that was begun last year.
 KEJRIWAL STATIONERY	Manufacturer & distributor of stationery products	0.00	0.00	0.00	25.1%	<ul style="list-style-type: none"> We have further written down our investment to a nominal value of \$1 We are initiating a buyback dialogue with the promoter.
Total portfolio		0.68	0.77	-0.09		
Cash in hand		0.05	0.05	0.00		
TOTAL NAV		0.73	0.82	-0.09		

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\$ 2.8 million or US\$ 0.02 per share granted to the Company in February 2010 and March 2011

³ Includes loan of US\$ 1.9 million or US\$ 0.02 per share extended to the Company in December 2010; carrying value as of 31 March 2013

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DISCLAIMER

This document, and the material contained therein, has been prepared for the purpose of providing general information about, and an overview of, Kubera Cross-Border Fund Limited ('the Fund') and its operations. It is not meant to be a complete review of all matters concerning the Fund. This document is not intended as an offer or solicitation for the subscription, purchase or sale of securities in the Fund.

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.