

Kubera Cross-Border Fund

Quarterly Newsletter Jul – Sep 2015

Fund Performance as at 30 September 2015

NAV	US\$ 0.49 (un-audited)
NAV plus shareholder distributions	US\$ 0.82
Change from prior qtr*	-1%
Change from prior year*	-6%
Change from 2 yrs ago*	-7%
Total net assets	US\$ 53.9m
Shares outstanding	109.7m
Share price	US\$ 0.21
Market capitalization	US\$ 23.0m
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	FIM Capital Limited (formerly IOMA Fund and Investment Management Limited)
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. Further to shareholder resolutions in early 2013, the Fund is in realisation mode, with no new investments made since then, other than follow-ons.

Portfolio

The Fund made nine investments in 2007 and 2008, and was rendered fully invested by the end of 2008. Eight of these investments were in companies that are domiciled in India. Two investments were realised in 2010 and further 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.

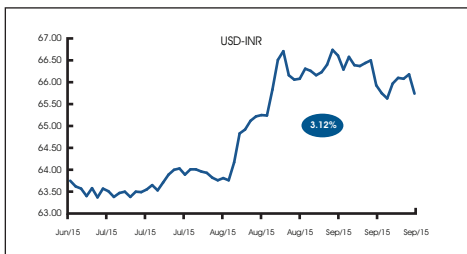
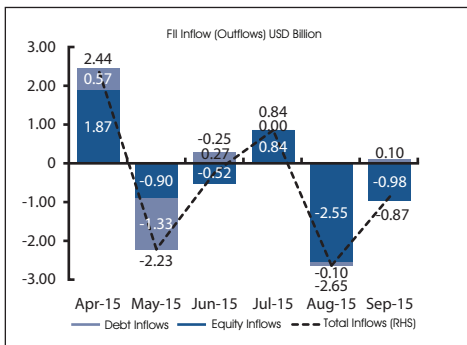
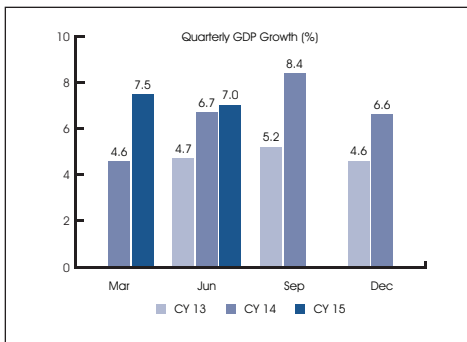
All proceeds generated from the realisation of investments are distributed by the Fund, subject to retaining a reserve to meet operating costs and liabilities and to enable the Fund to make follow-on investments in existing portfolio companies in order to take advantage of opportunities that enhance 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 ¹			
	Capital Invested	Cash Realized	Carrying Value	Total Value	(Adjusted for Buybacks)	Capital Distributions	Carrying Value	Total Value
Portfolio: Realized	70.7	48.2	–	48.2		0.33	–	0.33
Portfolio: Unrealized								
Holdings > 5%								
Essel Shyam Communication	13.4	1.3	26.2	27.5	0.07	–	0.24	0.24
Synergies Castings ²	26.8	0.6	19.1	19.7	0.15	–	0.17	0.17
Venture Infotek	–	–	4.6	4.6	0.11	–	0.04	0.04
Holdings < 5%	16.4	0.3	1.4	1.6	0.09	–	0.01	0.01
	56.6	2.2	51.3	53.5	0.42	–	0.47	0.47
Total Portfolio	127.3	50.3	51.3	101.6	0.71	0.33	0.47	0.80
Cash					0.02		0.02	0.02
Total Fund					0.99	0.33	0.49	0.82

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

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



India Economic Review¹

Indian GDP (gross domestic product) growth decelerated to 7% in the quarter ending June 2015 compared to 7.5% recorded in the preceding quarter and below consensus estimate of 7.5%. Economic growth slowed largely due to weaker exports, lower levels of investment, subdued private consumptions and lower corporate earnings.

India's Wholesale Price Index contracted 4.95% year-on-year in August, slipping deeper into deflationary territory and marking the tenth-successive month of decline in prices. Wholesale prices had fallen by 4.05% in July. The recent declines in India's inflation rates have been due to a sharp fall in global commodity prices, particularly crude oil. While inflation has eased, underlying economic activity in the Indian economy continues to remain weak, with exports declining for nine straight months until August and investment activity failing to pick up.

Foreign institutional investors pulled out US\$2.7 billion from Indian markets during the quarter ending September 2015, compared to US\$ 13.1 billion they had invested during the comparable period in 2014. August alone witnessed outflows of US\$ 2.6 billion – the highest for any month since the peak of global financial crisis in October 2008. While FIIs have been selling, strong demand from domestic institutional investors offered some support to Indian markets. They were net buyers at US\$ 2.5 billion – the highest since January 2008.

The benchmark 30-stock S&P BSE Sensex index closed at 26,155 on Sept. 30, 2015. Its upward journey was snapped during July to September, when it lost 5.9%. In comparison, the mid-cap index (NIFTY Midcap) during the same period remained broadly flat, inching 0.3% lower.

The rupee broke out of the 61-64 range against the dollar, ending at 65.7 on Sept. 30, compared to 63.7 at the end of the previous quarter. During the quarter, the U.S. dollar appreciated more than 3.1% against the rupee. Still, the rupee has been one of the most stable currencies among emerging economies. Currencies of Asian countries such as Indonesia and Malaysia have weakened more than 10% against the dollar.

Quarterly portfolio summary

At close of business on 30 September 2015, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.49. The aggregate value of shareholder distributions to date and the NAV amount to US\$ 0.82 per share. The denomination of the Fund is in US Dollars; the Fund does not hedge the currency risk relating to its investments denominated in Indian rupees.

Since the inception of the Fund, the rupee has depreciated relative to the US dollar by over 45%. The Fund's performance in rupee terms, as of the 30 September 2015 NAV, amounts to a multiple of 1.07x of cost; in dollar terms as mentioned above it is 0.82x (inclusive of total distributions of \$ 0.33/share).

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

Investment Holdings > 5%



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:** \$26.22 million
- **NAV/Share:** \$0.24

Valuation Methodology

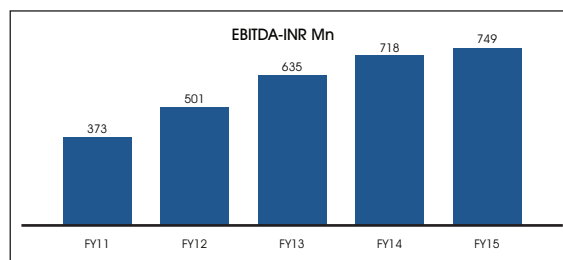
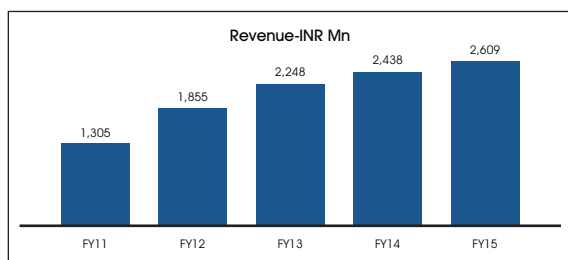
- Weighted average of last and forward year trading multiples including: EV/Revenues, EV/EBITDA, EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- The Company continues to work, as disclosed earlier, on a potential initial public offering.
- Business performance continues to be strong.

Financial Updates

- ESCL reported revenue of INR 659 million (YoY growth of 2%) and EBITDA of INR 179 million (YoY growth of -6%) during the first quarter of FY2016.
- The high margin, core business segment of teleport services continues to demonstrate good growth of 13% on a YoY basis, with more number of channels opting for playout services.
- Overall EBITDA margins shrank by 224 bps, on account of 32% and, 38% increase in personnel and Admin expenses respectively.
- During the quarter:
 - **YoY Sales:** were up by 2%
 - **YoY EBITDA:** was down by 6%
 - **YoY Net Profit:** was down by 22% at INR 67 million
- The company's net debt position stands at INR -192 million
- The value of our investment increased by 1.2% during the quarter.



² Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2015.

Investment Holdings > 5%



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:** \$26.8 million
- **Investment Date:** December 2007
- **KUBC Holding:** 58.3%
- **Type of security:** Equity and preference shares in India entity
- **Current Value:** \$19.10 million
- **NAV/Share:** \$0.17

Valuation Methodology

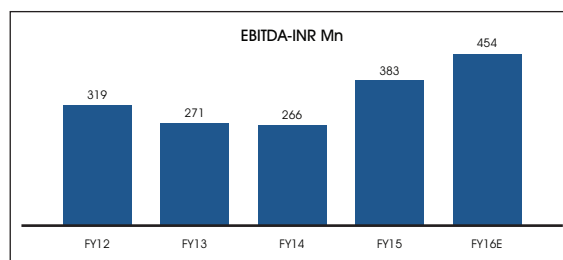
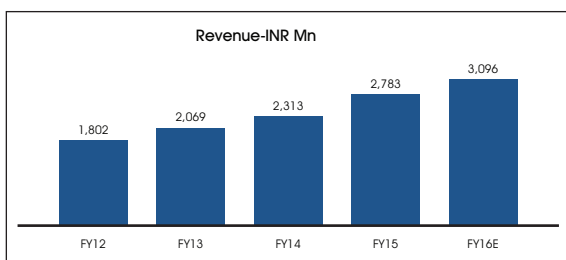
- Weighted average of last and forward year trading multiples including EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- The international & domestic order book continues to remain strong, as a result of a large increase in volume demand from GM for chrome alloy wheels.
- GM sold 4.2% more Light Vehicles in 2015 in the US, compared to same quarter from the previous year. However in the month of September GM recorded sales growth of 12%.
- The company signed a Joint Venture (51%) agreement with BAHRAIN Mumtalakat (Investment company of Kingdom of Bahrain) to establish an alloy wheel manufacturing facility in Bahrain.
- The company continues to face severe working capital constraints, a continuing artifact of the expensive debt taken on during the macro crisis. While management is working hard to find solutions, there is no clarity on timing at this time.

Financial Updates

- During the quarter:
 - **YoY Sales:** Sales during quarter was INR 665 million, up by 9%
 - **YoY EBITDA:** EBITDA during quarter was INR 98 million, up by 24%
 - **YoY Net Profit:** net profit of INR 18 million as compared to PAT of INR 21 million during the same quarter of last year
- SCL improved its EBITDA margins by 93 bps to 14.7% in Q1FY16 on account of high share of chrome wheels in the product mix.
- The company's net debt position increased by 9% QoQ at INR 1,461 million
- The value of our investment during the quarter decreased by 5.0%.



³ Excludes manager's co-invest, which is 9% of each investment; data as of September 30, 2015.

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Investment Holdings > 5%



Company Overview

Venture Infotek ("VI")⁴ 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 amount**⁵: \$19.7 million
- **Investment Date**: December 2007
- **KUBC Holding**: 42.8%
- **Type of security**: Equity shares in India entity
- **Current Value**: \$4.62 million
- **NAV/Share**: \$0.04

Valuation Methodology

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

Business Updates

- Pending tax cash receipts from government of India.
- We are waiting for a new hearing date from the tax Authority of Advance Rulings (AAR).
- Given the merits of the case, we continue to expect for a successful outcome for the company and for the Fund.

Financial Updates

- Kubera exited from the business in 2010, and distributed \$0.33 per share from realized cash flows.
- The value of our investment during the quarter declined by 1.7%.

⁴ The company is now known as "Neopath Limited".

⁵ Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2015.

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Investment Holdings < 5%

Cumulative Investment Summary for holdings < 5%

- **Investment amount⁶:** \$16.0 million
- **Current Value:** \$1.4 million
- **NAV/Share:** \$0.01



Company Overview

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

Updates

- We are contemplating legal remedies.



Company Overview

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

Updates

- We have made progress towards a potential buyback or other form of realization and are in discussions with the CEO on a timeline.
- During the first quarter of FY2016, the Company generated INR 117 million in revenues and EBITDA of INR 33 million.

⁶ Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2015.

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DISCLAIMER

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