

Kubera Cross-Border Fund

Quarterly Newsletter Jul – Sep 2014

Fund Performance as at 30 September 2014

NAV	US\$ 0.55 (un-audited)
NAV plus shareholder distributions	US\$ 0.88
Change from prior qtr*	-2%
Change from prior year*	-1%
Change from 2 yrs ago*	-26%
Total net assets	US\$ 59.8m
Shares outstanding	109.7m
Share price	US\$ 0.27
Market capitalization	US\$ 29.6m
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. 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.

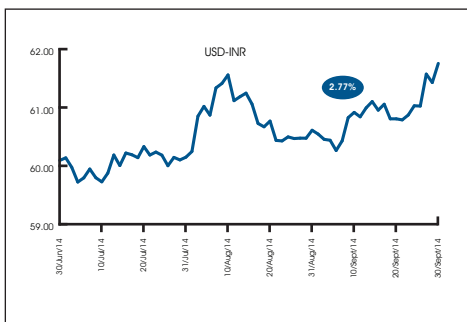
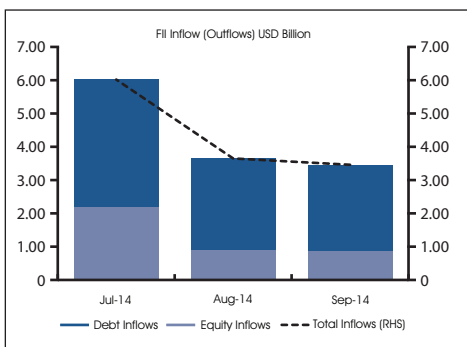
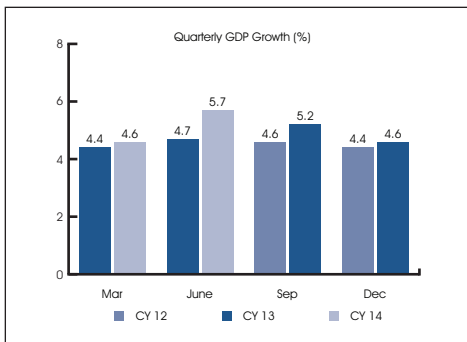
Current Portfolio

(\$ 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	0.1	23.1	24.1	–	0.21	0.21
Synergies Castings ³	26.9	0.6	23.6	24.2	–	0.22	0.22
Venture Infotek	–	–	5.1	5.1	–	0.05	0.05
Ocimum Biosolutions ³	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	0.2	0.3	0.5	–	0.00	0.00
	66.0	2.0	55.5	57.5	–	0.51	0.51
Total Portfolio	127.3	49.7	55.5	105.2	0.33	0.51	0.84
Cash						0.04	0.04
Total Fund ⁴					0.33	0.55	0.88

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 September 30, 2014
- 4 Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of -2%, based on the 30 September 2014 NAV of \$0.55 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

The Indian economy continues to reaccelerate gradually, with the GDP growth rate for the June quarter rising to 5.7%, the highest in the last ten quarters. This is primarily due to higher exports, increasing investment demand and improvement in manufacturing activities. The steady pickup in domestic demand, aided by robust exports, lifted manufacturing output to 3.5%, the highest in the last nine quarters.

The renewal of India's investment cycle is the key to reviving and sustaining long-term GDP growth. It appears that the new government is taking initiatives to revive investment sentiment as well as contain the fiscal deficit and inflation – although we note that there is as yet no definitive resolution of taxation issues.

During the quarter, Standard and Poor's upgraded the outlook for India's sovereign rating to "stable" from "negative," citing the country's new political mandate which offers a conducive environment for reforms. Such an upgrade from a major global credit agencies is likely to attract foreign inflows and lower the borrowing cost for companies.

The Reserve Bank of India continues to keep interest rates unchanged signalling a hawkish policy stance and a desire to see consumer inflation reduced to a target of 6% by January 2016. The Consumer Price Inflation index fell to 7.8% in August from 8% in July; this was led by a sharp decline in core inflation. However higher food inflation is expected to persist in the second half of year due to the weakest monsoon season in the last five years.

Foreign direct investment inflows during the period of January 2014 to September 2014 showed 320% growth to US\$ 33.49 billion compared to US\$ 7.9 billion during the comparable period in 2013. Debt markets continue to attract higher investment than equity markets. The debt market attracted a net inflow of US\$ 9.2 billion, while equity markets attracted a net inflow of US\$ 3.9 billion during the July to September 2014 period.

The BSE Sensex (which comprises 30 stocks) reached an all-time high of 27,355 during September 2014 and closed at 26,630 on September 30. The Sensex rose by 4.8% during the July to September 2014 period; during the same period the mid-cap index (NIFTY Midcap) declined by -7.48%.

The rupee traded within a range of 59.7 to 61.6 to the dollar throughout the quarter and ended at 61.8 on September 30 compared to 60.1 rupees to the dollar at the end of the previous quarter. The rupee depreciated against the dollar after the Federal Reserve's guidance on interest rates and an announcement by the U.S. Commerce Department that the U.S. gross domestic product grew at an annualized rate of 4.6% during the second quarter. The US dollar has been appreciating against a basket of major currencies.

Quarterly portfolio summary

At close of business on 30 September, 2014, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.55. The aggregate value of shareholder distributions to date and the NAV amount to US\$ 0.88 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. The Manager and the Board are also discussing the future presentation of portfolio company-specific information, in light of ongoing disposition processes and related commercial issues.

Since the inception of the Fund, the rupee has devalued relative to the US dollar by over 38%. The Fund's performance in rupee terms, as of the 30 September 2014 NAV, amounts to a multiple of 1.08x of cost; in dollar terms as mentioned above it is 0.88x (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.

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:** \$23.11 million
- **NAV/Share:** \$0.21

Valuation Methodology

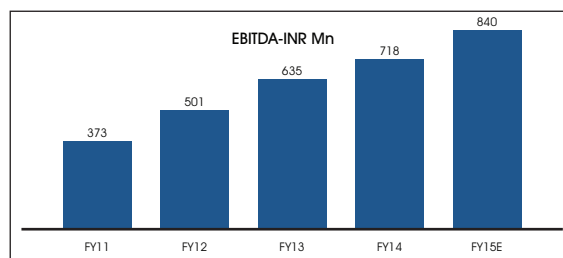
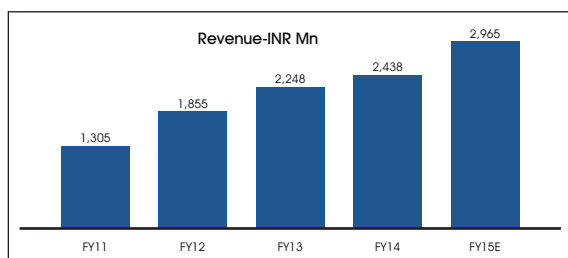
- Weighted average of last and forward year trading multiples including: EV/Revenues, EV/EBITDA, EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- The sale process for the company continues to move forward, albeit slowly. If the Company is unable to reach terms with the potential buyer, we expect to begin preparations for a domestic IPO.
- Business performance continues to be very strong.

Financial Updates

- ESCL reported revenue of INR 647 million and EBITDA of INR 190 million during the quarter. The core business segment of teleport services demonstrated strong growth of 31% on a YoY basis during the quarter:
 - **YoY Sales:** were up by 12%
 - **YoY EBITDA:** was up by 15%
 - **YoY Net Profit:** was up by 14% at INR 86 million
- The company's net debt position is INR -245 million.
- The value of our investment during the quarter declined by 6.9% primarily due to a decrease in valuation of comparable public companies and currency fluctuations.



² Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2014.

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:** \$23.58 million
- **NAV/Share:** \$0.22

Valuation Methodology

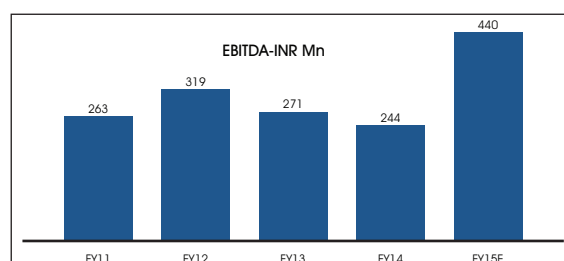
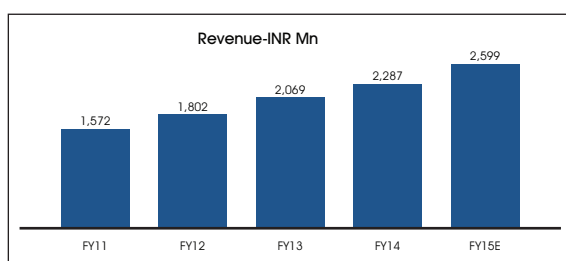
- Weighted average of last and forward year trading multiples including EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- The international & domestic order book continues to remain strong as a result of a large increase in volume demand from both Chrysler and GM, and due to anti import tariffs imposed on imports of alloy wheels in India.
- Business performance, as can be seen, was strong and a substantial improvement over the prior year.
- Strategic options continue to be evaluated.

Financial Updates

- The Company showed improved operating performance during the quarter:
 - **YoY Sales:** Sales during quarter was INR 613 million, were up by 21%
 - **YoY EBITDA:** EBITDA during quarter was INR 79 million, was up by 51%
 - **YoY Net Profit:** net profit of INR 30 million as compared to a net profit of INR 4 million during the same quarter of last year
- The company's net debt position is INR 1,262 million
- The value of our investment during the quarter remained unchanged.



³ Excludes manager's co-invest, which is 9% of each investment; data as of September 30, 2014.

⁴ Includes loan of \$2.8 mn 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:** 42.8%
- **Type of security:** Equity shares in India entity
- **Current Value:** \$5.09 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 Company faces continued delay in the recovery of the pending tax withholdings, as the Authority of Advance Rulings (AAR) declined to hear the Company's petition.
- The company has filed a writ petition in the Bombay High Court to reinstate the Company's application to the AAR. We are hopeful that a reinstated application, coupled with the changed political and business environment, will lead to a successful outcome for the company and to the Fund.

Financial Updates

- Kubera exited from the business in 2010.
- Distributed \$0.33 per share from the realized cash flows.
- The value of our investment during the quarter was lower by 2.1%.

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

⁶ Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2014.

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:** Equity & Preference shares in India entity
- **Current Value⁸:** \$2.0 million
- **NAV/Share:** \$0.02

Valuation Methodology

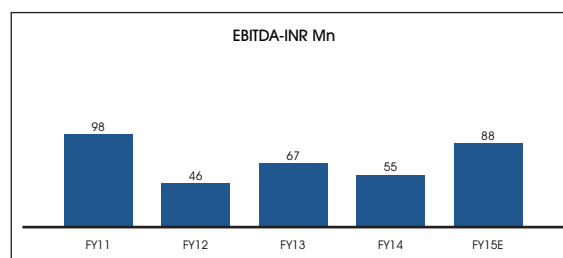
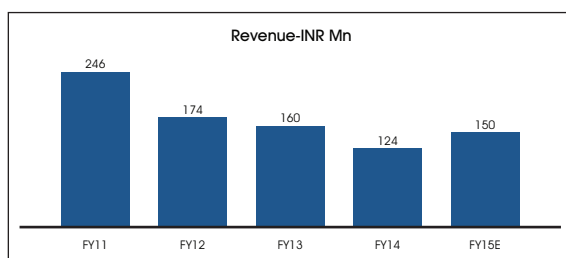
- We continue to value equity investment at \$100,000.

Business Updates

- The business environment remains challenging with near term cash flow constraints. The Company has embarked upon a restructuring exercise to reduce operational costs and improve operating margins.
- The Company has appointed a banker to sell certain business segments in order to generate cash and reduce debt.
- We have increased our direct involvement in the business in order to arrive at a speedy restructuring solution.
- The Manager is in discussion with the Company to restructure the debt⁸.

Financial Updates

- During the current quarter, the Company generated INR 30 million in revenues and EBITDA of INR 15.3 million.
- The Company improved its profitability and reported EBITDA margins of 51% for the current quarter as compared to 44% for FY14.
- A majority of the cash flow is being used to service 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 September 30, 2014.

8 Includes loan of \$1.9 million or \$0.02 per share extended to Ocimum in December 2010; carrying value as of September 30, 2014.

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Company Overview

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

Investment Summary

- **Investment amount**⁹: \$1.4 million
- **Investment Date**: April 2008
- **KUBC Holding**: 10.56%
- **Type of security**: Equity shares in India entity
- **Current Value**: \$1.37 million
- **NAV/Share**: \$0.01

Valuation Methodology

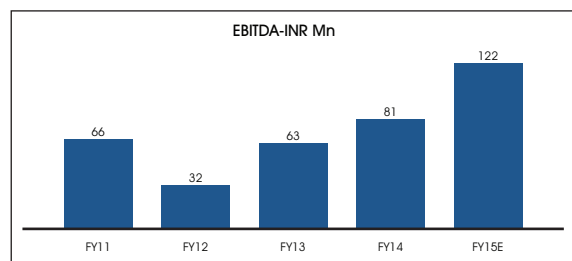
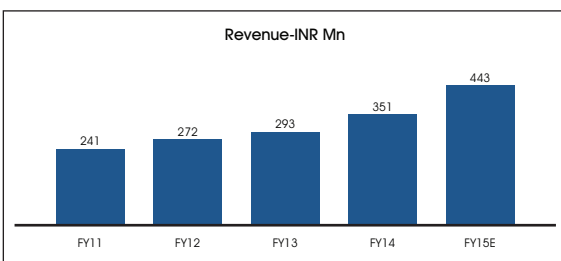
- Weighted average of last and forward year trading multiples including: EV/Revenues, P/BV, P/E, & discounted cash flows.

Business Updates

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

Financial Updates

- The performance of a Company was mixed during the quarter; Investment Banking was down by 80% whereas revenue from both securities and wealth management segments was higher by 200%.
- We are not overly concerned at this time, as the investment banking business is inherently highly lumpy, and the company has a strong pipeline of deals.
- During the quarter:
 - **YoY Sales**: down by 50%
 - **YoY EBITDA**: down by 80%
 - **YoY Net Profit**: down by 80%
- The value of our investment declined by 2.9% during the quarter.



⁹ Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2014.

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**: 4.65%
- **Type of security**: Equity shares in India entity
- **Current Value**: \$0.33 million
- **NAV/Share**: \$0.003

Valuation Methodology

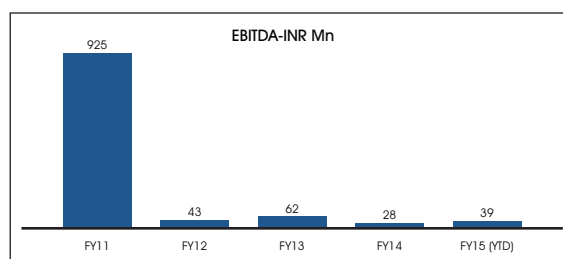
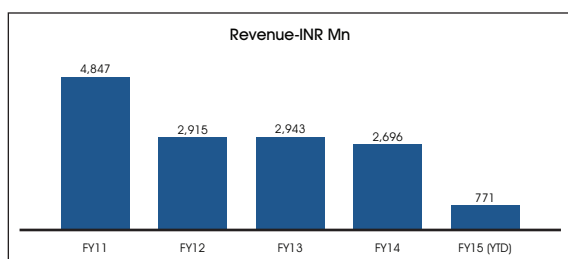
- GSS is a listed entity and the Company is valued on the basis of the publicly traded market price at the end of the quarter.

Business Updates

- The Company's turnaround continues to progress although profitability remains a challenge.

Financial Updates

- Operating margins were challenged during the quarter, primarily on account of higher direct & employee costs:
 - **YoY Sales**: Sales during quarter was INR 771 million, were up by 8%
 - **YoY EBITDA**: EBITDA during quarter was INR 39 million, was lower by 11%
 - **YoY Net Profits**: Was lower by 80%
- The Fund sold 0.28 million shares during the current quarter.
- GSS Stock was down by 19% during the current quarter leading to a fall in value of our investment.



¹⁰ Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2014
FY15 Financial are for 3 months ending 31st Jun 2015.

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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.

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.