

Kubera Cross-Border Fund

Quarterly Newsletter Oct – Dec 2012

Fund Performance as at 31 Dec 2012

NAV	US\$ 0.85 (un-audited)
NAV plus shareholder distributions	US\$ 1.15
Change from prior qtr*	-3%
Change from prior year*	-5%
Change from 2 yrs ago*	-11%
Total net assets	US\$ 93.1m
Shares outstanding	109.7m
Share price	US\$ 0.49
Market capitalization	US\$ 53.8m
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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* -% change from prior periods computed for NAV plus shareholder distributions to date.

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 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 realised in 2010. 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\$ 12.2m to date).

At the EGM of the Fund held on 17 January 2013, shareholders approved a resolution regarding the future of the Fund. The Fund will make no new investments and become a realisation vehicle with an objective to realise its investments in an orderly fashion and return the net proceeds of such realisations to shareholders. However, a cash reserve is currently held 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.

At close of business on 31 December 2012, the Fund's un-audited net asset value per share ("NAV") was US\$ 0.85. Shareholder distributions to date taken together with the NAV total US\$ 1.15. The denomination of the Fund is US Dollars; the Fund does not hedge its investments held in Indian Rupees.

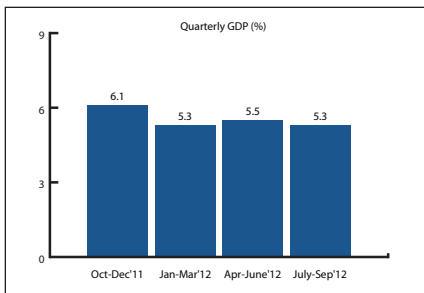
Current Portfolio

(\$ 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	20.9	37.1	12.8	49.9	0.11	0.30	0.12	0.42
Infotek Enterprises	0.9	1.9	-	1.9	0.00	-	-	-
Total	21.8	39.0	12.8	51.8	0.11	0.30	0.12	0.42
Portfolio: Unrealized								
Adayana ³	21.1	3.6	18.3	21.9	0.12	-	0.17	0.17
Synergies Castings ⁴	26.9	0.5	26.7	27.2	0.15	-	0.24	0.24
Essel Shyam Communication	13.4	0.3	25.1	25.3	0.07	-	0.22	0.22
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
Kejriwal Stationary	18.2	-	0.1	0.1	0.10	-	0.00	0.00
Spark Capital	1.4	0.2	1.6	1.8	0.01	-	0.01	0.01
Total	105.3	4.7	74.4	79.0	0.58	-	0.67	0.67
Total Portfolio	127.1	43.7	87.2	130.8	0.68	0.30	0.79	1.09

Expenses since listing					0.26			
Cash					0.06		0.06	0.06
Total Fund⁸					1.00	0.30	0.85	1.15

Notes:

- Excludes co-investment by affiliates of the Investment Manager which amounts to 9% of every investment made by the Fund
- 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 loans of US\$ 2.8 million extended to the Company in February 2010 and March 2011
- Includes loan of US\$ 1.9 million extended to the Company in December 2010; carrying value as of 31 December 2012
- 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 \$25mm at \$0.61 per share; and June 2010: 2.1mn shares bought back for \$1.7mm 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
- Venture Infotek realizations have been returned as a capital distribution; the Infotek Enterprises realization was returned as a buyback and hence shows as zero in the table
- Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of 2.7%, based on the 31 December 2012 NAV of \$0.85 and cash distribution of \$0.28 in October 2010 and \$0.02 in July 2012

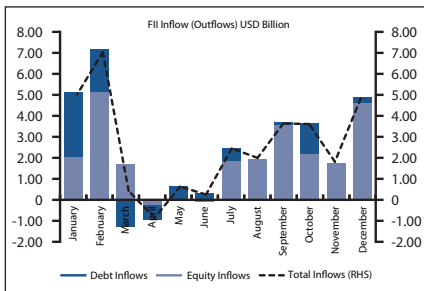


India Economic and Market Review¹

India's GDP growth fell considerably to 5.3% in the second quarter of FY 2012 as compared to 6.9% in the same quarter last year. This significant slowdown in the economy can be attributed to persistent interest rates, flagging external demand and low capital formation in domestic economy.

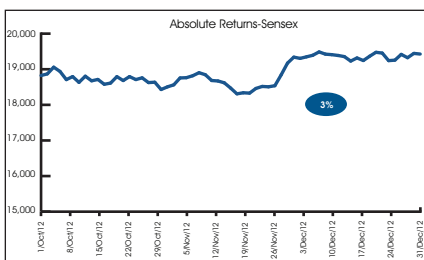
Wholesale Price Inflation (WPI) touched a three-year low of 7.18% in December but retail inflation continued to remain higher and was in double digit at 10.56%.

The Indian Government undertook long anticipated measures towards fiscal consolidation by reducing fuel subsidies and selling stakes in public enterprises. Further, in order to boost capital inflows in the country, the Indian Government increased foreign institutional investors ('FII's') limits in government securities and corporate bonds by \$5 billion each, taking the total investment limit in domestic debt to \$75 billion, which is further expected to be increased by \$5 billion each, taking the total limit to \$85 billion.

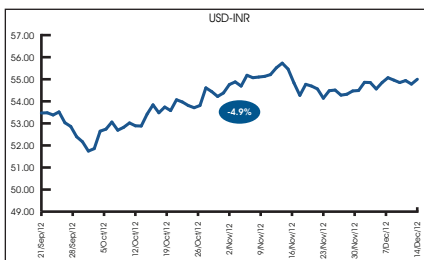


FDI inflows during the period of April 2012 to November 2012 fell by 43% to US\$ 15.85 billion vis-à-vis US\$ 27.9 billion in the same period of 2011. During the entire period, the services sector (financial & non-financial), attracted the highest level of FDI investment with US\$ 3.6 billion, housing & real estate attracted the second highest level of FDI with US\$ 1.02 billion, followed by telecommunications, computer hardware and software, drugs and pharmaceuticals.

For the period January 2012 to December 2012, FIIs invested a total of US\$ 31.02 billion in Indian markets, investing US\$ 24.37 billion in Indian equities market and US\$ 6.65 billion in debt markets.



The BSE Sensex (which comprises 30 stocks) increased marginally during October and December 2012 rising by 3% and ending at 19,426 points during the quarter. During the same period, the mid-cap index (NIFTY Midcap) out performed the broader market and was up by 4%. At current prices the Indian stock market is trading at a trailing P/E ratio of approximately 16x and a forward P/E ratio of approximately 14x – 15x.



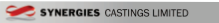



Due to rising macro concerns relating to increasing fiscal & current account deficit, slowing export & heaving dependence on rising imports (especially crude oil & gold), the India currency ended the quarter at 55 per USD, thereby depreciating approximately by 5% during the quarter.

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	FY	FY	Quarterly Update
		31 Dec 2012	30 Sept 2012			2012A Sales (US\$m)	2007-12 Sales CAGR	
 SYNERGIES CASTINGS LIMITED	#1 Indian alloy wheel vendor	0.24 ²	0.25 ²	-0.01	58.3%	34.4	10%	<ul style="list-style-type: none"> Margins in Q2FY13 continued to be adversely affected by severe power supply disruption. A private line to buy power was installed during the quarter. Profits margins should marginally improve going forward starting Q4FY13. The company continues to maintain a very strong order book. Given the capital constraints, it has not built in any capacity expansion for FY13 but will need to address this issue, as existing orders ramp up. During the quarter, the NAV per share decreased by US\$0.01.
 ADAYANA Accelerate Success	E-learning & training solutions provider	0.17	0.20	-0.03	31.1%	42.4	22.6%	<ul style="list-style-type: none"> 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. We have moderated the growth assumptions significantly. However, the company's cost control initiatives are expected to improve profitability further in FY13. The company is in the midst of a restructuring exercise with its mezzanine lender to de-lever its balance sheet. This may involve restructuring the terms of our investment, and we may also provide some follow-on capital, during the first half of 2013. During the quarter, the NAV per share decreased by US\$0.03 on account of revised financial projections.
 ESSEL SHYAM	#1 independent Indian media broadcasting solutions provider	0.22	0.19	0.03	27.6%	35.2	20.3%	<ul style="list-style-type: none"> We expect the company to continue on its growth trajectory in FY13, with strong growth and high profitability. ESCL continues to evaluate acquisitions with strong outsourcing potential and synergies with existing capability set. It is also exploring adjacent product/services market for existing customers such as security solutions and post production for media. During the quarter, the NAV per share increased by US\$0.03, mainly on account of a surge in Indian equity markets and an increase in permissible foreign investment for the sector (from 49% to 74%), resulting in corresponding increase in peer set valuation multiples.
 Ocimum Biosolutions	#1 genomics outsourcing company out of India	0.02 ³	0.02 ³	0.00	33.4%	3.5	7%	<ul style="list-style-type: none"> The business environment remains challenging with near term cash flow constraints. Any excess cash flow is being used to service debt, at the cost of growth. 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. The value of our investment remained unchanged during the quarter.

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		31 Dec 2012	30 Sept 2012					
 GSS Infotech	Provider of IT infrastructure management and enterprise application integration services	0.01	0.01	0.00	6.4%	56.5	12%	<ul style="list-style-type: none"> GSS's financial performance remains volatile. The value of our investment remained unchanged during the quarter.
 KEJRIWAL STATIONERY	Manufacturer & distributor of stationery products	0.00	0.02	-0.02	25.1%	NM ⁴	NM ⁴	<ul style="list-style-type: none"> The company's negotiations with potential JV partners have not yielded any results. It is now looking at reviving US sales by targeting the US market through tie-ups with distributors, leveraging the company's eco-friendly re-positioning strategy. Given the failed outcome of the company's negotiations with potential capital partners, we have further written down our investment by \$0.02 per share.
 SPARK CAPITAL <small>enhancing value</small>	#1 South Indian investment bank	0.01	0.01	0.00	9.1%	6.41	29%	<ul style="list-style-type: none"> The company is expected to have a robust FY13 on the back of stronger investment banking & asset management activities. The value of our investment remained unchanged during the quarter.
Total portfolio		0.67	0.70	-0.03				
Cash from portfolio realisation (Venture Infotek) pending receipt ⁵		0.12	0.12	0.00				<ul style="list-style-type: none"> The application for seeking a ruling on refund of withholding taxes was admitted by the regulator in August 2012, and a hearing is scheduled in April 2013. In respect of the balance escrow amounts due, the company has filed for arbitration to seek release of these amounts from the buyer. We expect this matter to be resolved by the end of 2013.
Cash in hand		0.06	0.06	0.00				
TOTAL NAV		0.85	0.88	-0.03				

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\$ 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 December 2012

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

5 Gross amount of escrow holdbacks and withholding taxes from realisation of investment in Venture Infotek in August 2010

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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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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.