

# Kubera Cross-Border Fund

Quarterly Newsletter Jul – Sept 2012

## Fund Performance as at 30 Sept 2012

|                                    |  |
|------------------------------------|--|
| NAV                                | <b>US\$ 0.88</b><br>(un-audited)                           |
| NAV plus shareholder distributions | <b>US\$ 1.18</b>   |
| Change from prior qtr*             | <b>0%</b>  |
| Change from prior year*            | <b>-4%</b>   |
| Change from 2 yrs ago*             | <b>-11%</b>  |
| Total net assets                   | <b>US\$ 96.5m</b>  |
| Shares outstanding                 | <b>109.7m</b>  |
| Share price                        | <b>US\$ 0.46</b>   |
| Market capitalization              | <b>US\$ 50.5m</b>  |
| Manager co-invest                  | <b>9% pro rata of each investment (US\$ 12.2m 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>     | Cim Fund Services |
| <b>Custodian</b>         | HSBC              |
| <b>Auditor</b>           | KPMG              |

### Manager

Kubera Partners LLC  
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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 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).

On 20 July 2012, the Fund announced a distribution of capital of US\$ 0.02 per share payable in cash from the Fund's share premium account. 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 28 September 2012, the Fund's un-audited net asset value per share ("NAV") was US\$ 0.88. Shareholder distributions to date taken together with the NAV total US\$ 1.18. The denomination of the Fund is US Dollars; the Fund does not hedge its investments held in Indian Rupees.

## Current Portfolio

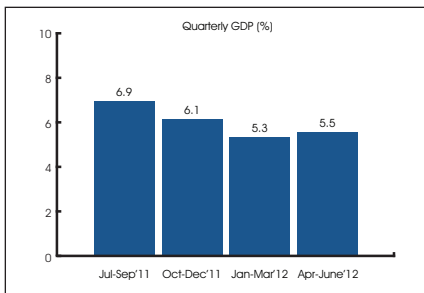
| (\$ in millions)<br>Company                  | Fund's Share <sup>1</sup> |               |                |              |
|--|---------------------------|---------------|----------------|--------------|
|  | Capital Invested          | Cash Realized | Carrying Value | Total Value  |
| <b>Portfolio: Realized</b>                   |                           |               |                |              |
| Venture Infotek <sup>2</sup>                 | 20.9                      | 37.1          | 13.0           | 50.1         |
| Infotech Enterprises                         | 0.9                       | 1.9           | -              | 1.9          |
| <b>Total</b>                                 | <b>21.8</b>               | <b>39.0</b>   | <b>13.0</b>    | <b>52.0</b>  |
| <b>Portfolio: Unrealized/Partly Realized</b> |                           |               |                |              |
| Adayana <sup>3</sup>                         | 21.1                      | 3.6           | 22.5           | 26.1         |
| Synergies Castings <sup>4</sup>              | 26.9                      | 0.5           | 27.0           | 27.5         |
| Essel Shyam Communication                    | 13.4                      | 0.3           | 21.0           | 21.3         |
| Ocimum Biosolutions <sup>5</sup>             | 15.0                      | 0.0           | 2.0            | 2.0          |
| GSS Infotech                                 | 9.3                       | 0.1           | 0.7            | 0.8          |
| Kejriwal Stationary                          | 18.2                      | 0.0           | 2.1            | 2.1          |
| Spark Capital                                | 1.4                       | 0.2           | 1.5            | 1.7          |
| <b>Total</b>                                 | <b>105.3</b>              | <b>4.7</b>    | <b>76.8</b>    | <b>81.5</b>  |
| <b>Total Portfolio</b>                       | <b>127.1</b>              | <b>43.7</b>   | <b>89.8</b>    | <b>133.5</b> |

| Per Share Data                  |            |             |             |             |
|---------------------------------|------------|-------------|-------------|-------------|
| Current Portfolio NAV           |            |             | 0.82        |             |
| Cash in hand                    |            |             | 0.06        |             |
| <b>Total Fund NAV</b>           |            |             | <b>0.88</b> |             |
| <b>Net Fund IRR<sup>6</sup></b> | <b>1.0</b> | <b>0.30</b> | <b>0.88</b> | <b>1.18</b> |

### 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 30 September 2012
- Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of 3.2%, based on the 30 Sept 2012 NAV of \$0.88 and cash distribution of \$0.28 in October 2010 and \$0.02 in July 2012

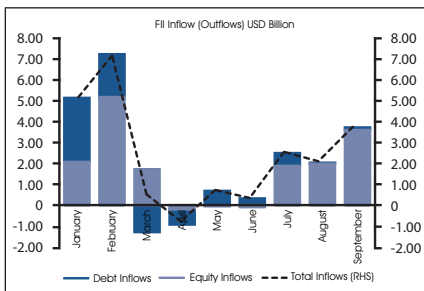
\* % change from prior periods computed for NAV plus shareholder distributions to date.



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

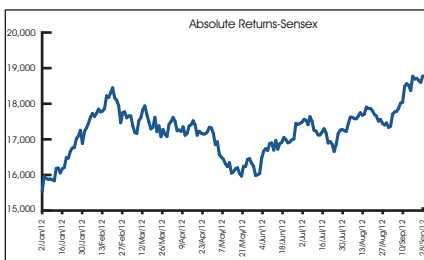
India's GDP growth fell considerably to 5.5% in the first quarter of FY 2012 as compared to 7.7% in the same quarter last year. The fall in the GDP growth rate is primarily attributed to flagging external demand, waning business confidence, rise in policy rates and a slowdown in approvals for new projects.

The Indian Government undertook long anticipated measures towards fiscal consolidation by reducing fuel subsidies and selling stakes in public enterprises. Further, steps were taken to increase foreign direct investment ('FDI') by easing restrictions on FDI in some sectors such as retail, aviation and broadcasting. These should contribute to both greater capital inflows and in the longer term, higher productivity, particularly in the food supply chain. As a result of these reforms and stabilising confidence, analysts are projecting a GDP growth rate of 6% in 2013.

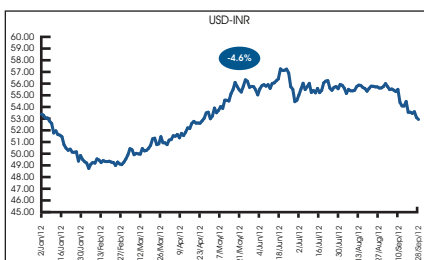


FDI inflows during the period from April 2012 to June 2012 fell by 67% to US\$ 4.4 billion vis-à-vis US\$ 13.4 billion in the same period of 2011-12. During the entire period, the services sector (financial & non-financial), attracted the highest level of FDI investment, worth US\$ 1.1 billion. Drugs and pharmaceuticals, attracted the second highest level of FDI with US\$ 0.5 billion, followed by housing & real estate (US\$ 0.3 billion), metallurgical industries (US\$ 0.3 billion) automobile (US\$ 0.2 billion) and power (US\$ 0.1 billion).

For the period January 2012 to September 2012, foreign institutional investors ('FIIs') invested a total of US\$ 20.66 billion in Indian markets, investing US\$ 15.86 billion in Indian equities market and US\$ 4.81 billion in debt markets.



The BSE Sensex (which comprises 30 stocks) was volatile between July and September 2012 and increased by 7.8% during the quarter, ending at 18,762 points on the back of heavy buying from FIIs. During the same period the mid-cap index (NIFTY Midcap) while underperforming the Sensex was up by 4.36%. 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 13x – 14x.



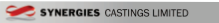



With increased FIIs inflows and improving economic sentiments, the India Rupee ended at 52.86 per US dollar, appreciating approximately by 5% during the quarter.

<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><br>(US\$) |                 | Change | % Stake <sup>1</sup> | FY                        | FY                       | Quarterly Update   |
|--|---|--------------------------------------|-----------------|--------|----------------------|---------------------------|--------------------------|--|
|  |   | 30 Sept<br>2012                      | 30 June<br>2012 |        |                      | 2012A<br>Sales<br>(US\$m) | 2007-12<br>Sales<br>CAGR |  |
|  SYNERGIES CASTINGS LIMITED      | #1 Indian alloy wheel vendor                                | 0.25 <sup>2</sup>                    | 0.25            | 0.00   | 58.3%                | 34.4                      | 10%                      | <ul style="list-style-type: none"> <li>Margins in Q1FY13 were adversely affected by severe power supply disruption. The management is working towards addressing these issues (including installing private lines for uninterrupted supply) and expects profit margins to improve.</li> <li>Given capital constraints, the management team has not built in any capacity expansion for FY13 in spite of a strong order book. While this not an immediate problem, the company will need capital to expand capacity in due course.</li> <li>The company has made strong progress on solving its legacy debt issues - we expect these issues to be resolved by FY14, allowing us to consider a sale process.</li> <li>During the year, the company received serious interest from a leading Indian private equity fund. This dialogue has laid the groundwork for a potential liquidity event in FY14.</li> <li>The NAV per share remained unchanged.</li> </ul> |
|  ADAYANA<br>Accelerate Success | E-learning & training solutions provider                    | 0.20                                 | 0.20            | 0.00   | 31.1%                | 42.4                      | 22.6%                    | <ul style="list-style-type: none"> <li>The macro environment for Adayana remains volatile with the US Government cutbacks (particularly the department of defense) and the policy and budget uncertainty in the US.</li> <li>Recent large contract wins have a long ramp up cycle and we do not expect revenues to return to pre crisis levels in FY13.</li> <li>The company is in the midst of a challenging 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.</li> <li>The value of our investment remained unchanged during the quarter.</li> </ul>   |
|  ESSEL SHYAM                   | #1 independent Indian media broadcasting solutions provider | 0.19                                 | 0.19            | 0.00   | 27.6%                | 35.2                      | 20.3%                    | <ul style="list-style-type: none"> <li>We expect the company to continue on its growth trajectory in FY13, with strong growth and high profitability.</li> <li>In Q4 FY12, the company received term sheets from global private equity funds. These ultimately did not progress because of valuation differences and the turbulent Indian regulatory environment. We expect to revisit these discussions in light of the recent government-approved increase in the percentage ownership available to foreign firms, from 49% to 74%.</li> <li>NAV per share remained unchanged during the quarter.</li> </ul>   |
|  Ocimum<br>Biosolutions        | #1 genomics outsourcing company out of India                | 0.02 <sup>2</sup>                    | 0.02            | 0.00   | 33.4%                | 3.5                       | 7%                       | <ul style="list-style-type: none"> <li>Ocimum had a difficult FY12. It closed its US operations in March 2012, and the business environment remains challenging with near term cash flow constraints.</li> <li>While there are some points of light in the India business, which continues to grow, albeit from a small base, we had significantly written down our equity value as of 31 December 2011.</li> <li>The company is engaging with its lenders to find ways to de-lever its balance sheet.</li> <li>The value of our investment remained unchanged during the quarter.</li> </ul>  |

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## Portfolio Update

| Company   | Description  | NAV Per Share <sup>1</sup><br>(US\$) |              | Change       | % Stake <sup>1</sup> | FY                        | FY                       | Quarterly Update  |
|---|--|--------------------------------------|--------------|--------------|----------------------|---------------------------|--------------------------|---|
|   |  | 30 Sept 2012                         | 30 June 2012 |              |                      | 2012A<br>Sales<br>(US\$m) | 2007-12<br>Sales<br>CAGR |   |
|  <b>GSS</b><br>Infotech                       | Provider of IT infrastructure management and enterprise application integration services | 0.01                                 | 0.01         | 0.00         | 6.4%                 | 56.5                      | 12% <sup>4</sup>         | <ul style="list-style-type: none"> <li>GSS's financial performance remained volatile during the quarter; the company saw a decline in sales both on QoQ &amp; YoY basis primarily due to delays in the pipeline and order losses, which also impacted company's operating margins significantly.</li> <li>The value of our investment remained unchanged during the quarter.</li> </ul>   |
|  <b>KEJRIWAL</b><br>STATIONERY                | Manufacturer & distributor of stationery products  | 0.02                                 | 0.02         | 0.00         | 25.1%                | NM <sup>5</sup>           | NM <sup>5</sup>          | <ul style="list-style-type: none"> <li>The company continues to struggle. The promoter's efforts to partner with local /international companies looking at entering the Indian market have not been very successful, given the high level of debt in its Indian subsidiary.</li> <li>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.</li> <li>The value of our investment remained unchanged during the quarter.</li> </ul>   |
|  <b>SPARK</b><br>CAPITAL<br>enhancing value | #1 South Indian investment bank  | 0.01                                 | 0.01         | 0.00         | 9.1%                 | 6.41                      | 29%                      | <ul style="list-style-type: none"> <li>The company is expected to have a robust FY13 on the back of stronger investment banking &amp; asset management activities.</li> <li>While the logical point of our exit will be when the company needs to raise capital to finance its next round of growth, we have initiated an exit dialogue with the promoters including exploring buyback of our position.</li> <li>The value of our investment remained unchanged during the quarter.</li> </ul>  |
| <b>Total portfolio</b>  |  | <b>0.70</b>                          | <b>0.70</b>  | <b>0.00</b>  |                      |                           |                          |   |
| Cash from portfolio realisation (Venture Infotek) pending receipt <sup>6</sup>  |  | 0.12                                 | 0.14         | -0.02        |                      |                           |                          | <ul style="list-style-type: none"> <li>During the quarter, the company collected monies from a partial release of escrow – a net amount of \$0.02 per share was distributed to Kubera shareholders.</li> <li>The application for seeking a ruling on refund of withholding taxes was admitted by the regulator in August 2012. This is a key but first step in what has been a drawn out process in claiming a refund; we now expect this to unfold over the next 12-15 months.</li> <li>In respect of the balance escrow amounts due, there has been a further delay by the buyer in releasing these amounts. The buyer has made a formal claim against the escrow. The company views these claims as remote, and has filed for arbitration to seek release of these amounts. We now expect this matter to get resolved by Q3 FY13.</li> </ul> |
| <b>Cash in hand</b>   |  | <b>0.06</b>                          | <b>0.06</b>  | <b>0.00</b>  |                      |                           |                          |   |
| <b>TOTAL NAV</b>  |  | <b>0.88</b>                          | <b>0.90</b>  | <b>-0.02</b> |                      |                           |                          |   |

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

<sup>2</sup> Includes loan of US\$ 2.8 million or US\$ 0.02 per share granted to the Company in February 2010 and March 2011

<sup>3</sup> Includes loan of US\$ 1.9 million or US\$ 0.02 per share extended to the Company in December 2010; carrying value as of 30 September 2012

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

<sup>5</sup> 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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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.