

Kubera Cross-Border Fund

Quarterly Newsletter Oct – Dec 2015

Fund Performance as at 31 December 2015

NAV	US\$ 0.50 (un-audited)
NAV plus shareholder distributions	US\$ 0.83
Change from prior qtr*	1%
Change from prior year*	-2%
Change from 2 yrs ago*	-4%
Total net assets	US\$ 55.0m
Shares outstanding	109.7m
Share price	US\$ 0.20
Market capitalization	US\$ 21.9m
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. As per shareholder resolutions in early 2013, the Fund is in realisation mode, with no new investments 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. 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.

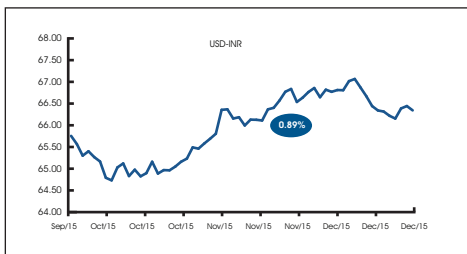
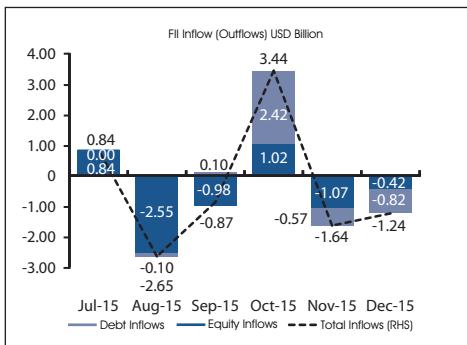
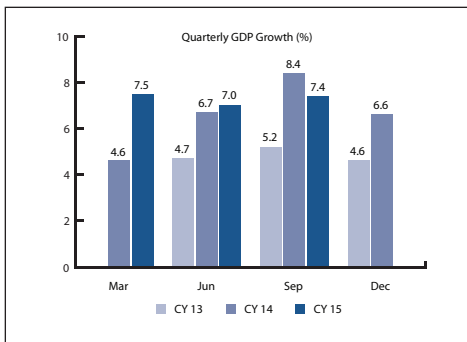
All proceeds generated from the realisation of investments are distributed by the Fund, subject to retaining a reserve to meet operating costs and liabilities and to enable the Fund to make follow-on investments in existing portfolio companies in order to take advantage of opportunities that enhance 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	27.6	28.9	0.07	–	0.25	0.25
Synergies Castings ²	26.8	0.6	19.4	20.0	0.15	–	0.18	0.18
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	53.0	55.1	0.42	–	0.48	0.48
Total Portfolio	127.3	50.3	53.0	103.2	0.71	0.33	0.48	0.81
Cash					0.02		0.02	0.02
Total Fund					0.99	0.33	0.50	0.83

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 remained elevated at 7.4% in the quarter ending September 2015 compared to 7.0% recorded in the preceding quarter. Moody's has revised the outlook on the Indian Banking system from negative to stable, underpinning the GDP growth forecast of 7.5% in 2016. CRISIL's ratio of credit ratings upgrades to downgrades improved significantly, to 2.13 in H1FY2016 from 1.68 in FY2015.

In comparison to the contraction of 3.8% in India's Wholesale Price Index recorded in October 2015, the WPI contracted by 2.0% year-on-year in November 2015. The recent declines in India's inflation rates have been due to a sharp fall in global commodity prices, particularly crude oil. The Consumer Price Index inched up to 5.4% in November 2015, from 5% in October 2015. This uptick in CPI was led by a 140 bps jump in food inflation to 6.1%. Despite the recent pick-up in CPI, the easy monetary policies of RBI are unlikely to lift retail inflation above its target of 6%.

The benchmark 30-stock S&P BSE Sensex index closed at 26,118 on 31 December 2015. During the October – December 2015 quarter, Sensex was range bound with a loss of 0.1%. In comparison, the mid-cap index (NIFTY Midcap) during the same period gained by 6.7% to close at 3,415.

During the quarter ending on 31 December 2015, the U.S. dollar appreciated by 0.9% against the Indian rupee. The rupee was relatively unaffected during the quarter by the impact of the 25 bps hike in interest rates by the US Federal Reserve and Renminbi devaluation, as the rupee ended at 66.33 on 31 December 2015, compared to 65.74 at the end of the previous quarter.

Since the end of the quarter, Indian markets have declined with the BSE Sensex falling 6.4% year-to-date as of close of business on 22 January 2016 (midcap indices have declined even more). The rupee has also fallen further to 67.75 as of that date. If this continues, we expect an impact on the Fund's NAV, as also the potential timing of the ESCL IPO process.

Quarterly portfolio summary

At close of business on 31 December 2015, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.50. The aggregate value of shareholder distributions to date together with the NAV amount to US\$ 0.83 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 46%. The Fund's performance in rupee terms, as of the 31 December 2015 NAV, amounts to a multiple of 1.10x of cost; in dollar terms as mentioned above it is 0.83x (inclusive of total distributions of \$ 0.33/share).

With effect from 1 Jan 2016, the Fund will not pay the Investment Manager an investment management fee, in line with the resolutions approved at the shareholder EGM of early 2013.

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:** \$27.59 million
- **NAV/Share:** \$0.25

Valuation Methodology

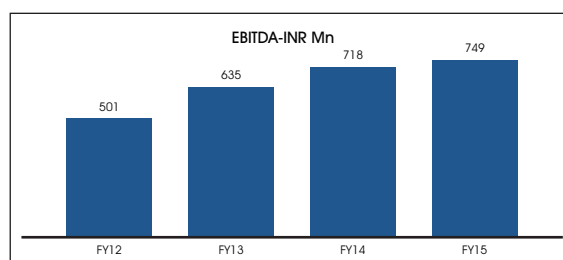
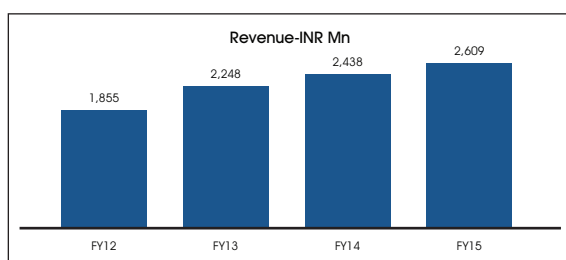
- Weighted average of last and forward year trading multiples including: EV/Revenues, EV/EBITDA, EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- The Company continues to work, as disclosed earlier, on a potential initial public offering.
- We note two hurdles to an IPO since the end of the quarter: a. the fall in the Indian equities markets and the decline in the rupee-dollar exchange rate, which affects timing; and b. concerns expressed by the two promoter groups regarding the level of disclosure increasingly required by the Indian regulator about the other business affairs of promoters of public companies in India.
- We are working through these issues along with the lead banker and expect to have more clarity soon.
- Business performance continues to be strong, underpinning the demand for Payout and Teleport services of the company.

Financial Updates

- ESCL reported revenue of INR 787 million (YoY growth of 31%) and EBITDA of INR 258 million (YoY growth of 50%) during the second quarter of FY2016.
- The high margin, core business segment of teleport services continues to demonstrate good growth of 19% on a YoY basis, with more number of channels opting for playout services at higher rates.
- Overall EBITDA margins improved by 419 bps, on account of improvement in operating margins of other segments VSAT and Projects.
- For the first half year of 2016, EBITDA margins stood at 30.3% against 28.7% recorded in FY2015.
- During the quarter:
 - **YoY Sales:** were up by 31%
 - **YoY EBITDA:** was up by 50%
 - **YoY Net Profit:** was up by 45% at INR 110 million
- The company's net debt position stands at INR -151 million
- The value of our investment increased by 5.2% during the quarter.



² Excludes manager's co-invest, which is ~9% of each investment; data as of December 31, 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:** \$19.43 million
- **NAV/Share:** \$0.18

Valuation Methodology

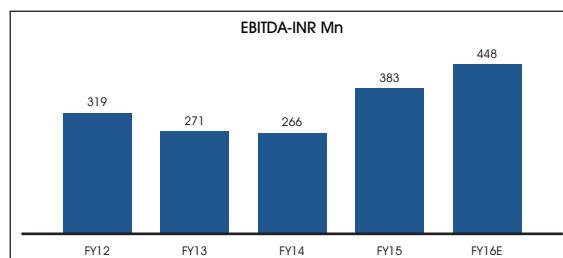
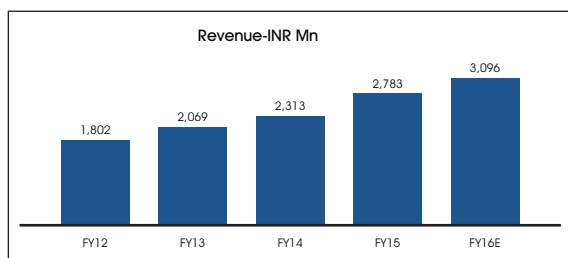
- Weighted average of last and forward year trading multiples including EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

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.
- U.S. light vehicle sales in 2015 hit a new 15 year high with sales volume of 17.4 million – 5.8% YoY growth.
- The company continues to face working capital constraints, a continuing artifact of debt taken on during the macro crisis. Management has continued to find creative solutions, and is working on more long term fixes.

Financial Updates

- During the quarter:
 - **YoY Sales:** Sales during quarter was INR 745 million, in comparison to INR 743 million in Q2FY15
 - **YoY EBITDA:** EBITDA during quarter was INR 100 million, down by 6.1%
 - **YoY Net Profit:** net profit of INR 19 million as compared to PAT of INR 22 million during the same quarter of last year
- Company's EBITDA margins shrank by 92 bps to 13.4% in Q2FY16 on account of higher sales and marketing expenses.
- The company's net debt position increased by 4.8% QoQ at INR 1,531 million
- The value of our investment during the quarter increased by 2.0%.



³ Excludes manager's co-invest, which is 9% of each investment; data as of December 31, 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**: \$4.58 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 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 0.9%.

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

5 Excludes manager's co-invest, which is ~9% of each investment; data as of December 31, 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 continue to make progress towards a potential buyback.
- During the second quarter of FY2016, the Company generated INR 115 million in revenues and EBITDA of INR 38 million.

⁶ Excludes manager's co-invest, which is ~9% of each investment; data as of December 31, 2015.

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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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