

Kubera Cross-Border Fund Quarterly Newsletter July- September 2016

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.

Fund Performance as at 30 September 2016

NAV	US\$ 0.49 (un-audited)
NAV plus shareholder Change from prior qtr*	US\$ 0.82 distributions
Change from prior year*	0%
Change from 2 yrs ago*	0%
Total net assets	US\$53.9m
Shares outstanding	109.7m
Share price	US\$ 0.19
US\$ 0.47	
Market capitalization	US\$ 20.8m
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

Advisors

Nominated Adviser	Grant Thornton UK LLP
Administrator	FIM Capital Limited
Custodian	Kotak
Auditor	KPMG

Contact Information

Manager
Kubera Partners LLC
info@kuberapartners.com
www.kuberapartners.com

Broker

Numis Securities
Tel: +44 20 7260 1275
d.benda@numiscorp.com
www.numiscorp.com

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

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.

Current Portfolio

(\$ in millions)	Fund's Share ¹	Per Share ¹
Company	Total Value	Total Value
Planetcast Media Services Ltd	27.4	0.25
Synergies Castings ²	19.1	0.17
Venture Infotek	4.7	0.04
Ocimum Biosolutions ³	-	-
	51.2	0.47
Cash		0.02
Total Fund		0.49

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

INVESTMENT MANAGER'S REPORT

India Market Review¹

The benchmark 30-stock S&P BSE Sensex index closed at 27,866 on 30 September 2016, a gain of 3.2% during the quarter, reflecting a strong recovery in equity markets led by FII inflows of US\$ 4.8 billion. By comparison, the mid-cap index (NIFTY Midcap) during the same period rose by 13.4% to close at 3,960. Market sentiment in India turned positive, benefiting from a large improvement in the terms of current account deficit, effective policy actions in terms of rate cuts, the passing of the GST bill, stronger foreign exchange reserves, and the IMF's upward revision of its GDP growth forecast to 7.6%.

During the quarter the Indian rupee appreciated by 1.4% against the US dollar, ending at 66.66 rupees to the dollar on 30 September 2016, compared to 67.62 at the end of the previous quarter.

Quarterly portfolio summary

At close of business on 30 September 2016, 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 44%. The Fund's performance in rupee terms, as of the 30 September 2016 NAV, amounts to a multiple of 1.10x of cost; in dollar terms as mentioned above it is 0.82x (inclusive of total distributions of \$ 0.33/share).

Efforts to achieve realizations, specifically in the case of Planetcast, continue. Several global private equity firms are engaged in detailed evaluation of the company. Informal valuation ranges are in excess of the informal offer rejected by the Board in June. While we are cautiously optimistic, there is no assurance that a term sheet acceptable to all Planetcast shareholders (including the Fund) will be received. We also note that contingencies always exist in such situations, including the need for confirmatory diligence and negotiations around the customary indemnifications. The company's performance in the June quarter, with significant growth in both revenues and EBITDA, provides strong comfort around the long-term prospects for the company.

The Fund sold 96% of its stake in Spark Capital during the September quarter, and the proceeds of approximately \$850,000 are now on the Fund's balance sheet. Given the current uncertainty as to the duration of the Fund's existence in order to achieve an orderly realization, these funds will be retained on the balance sheet for the time being.

The question of the Fund's future duration also involves a consultation with shareholders, as referenced in the interim report in July, as to the reduction of operating costs. The Board will engage in this consultation in the coming weeks.

As mentioned in earlier reports, following the expiration of the Investment Management Agreement in December, the Fund will be self-managed by its board of directors.

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



Company Overview

Planetcast Media Services Limited (“PMSL”), formerly Essel Shyam Communication Limited, provides solutions for the media broadcasting (teleporting, content management, play outs and mobile connectivity via DSNG vans) and satellite communications industries. PMSL 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:** \$27.41 million
- **NAV/Share:** \$0.25

Valuation Methodology

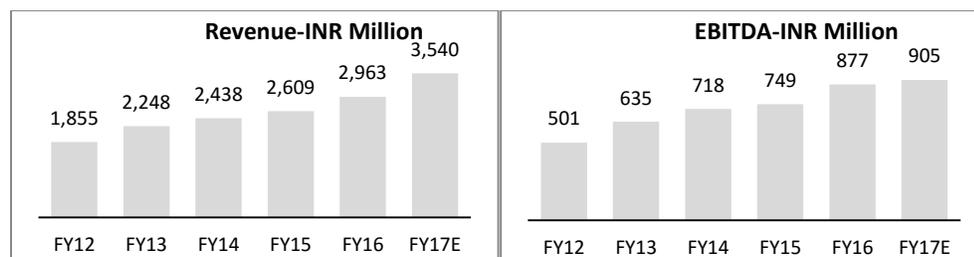
Weighted average of last and forward year trading multiples including: EV/Revenues, EV/EBITDA, EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- We are discussing a variety of potential exit options with management and the promoters, as mentioned above.
- Business performance was very strong in the June quarter, as can be seen below.

Financial Updates

- PMSL reported revenue of INR 790 million (YoY growth of 20%) and EBITDA of INR 256 million (YoY growth of 43%) during the first quarter of FY2017.
- The high margin business segment, teleport services continues to demonstrate good growth of 40% on a YoY basis, with a greater number of channels opting for playout services at higher rates.
- EBITDA margins improved by 521 bps to 32.4%, as the high margin teleport services drove topline growth.
- During the quarter:
 - **YoY Sales:** were up by 20%
 - **YoY EBITDA:** was up by 43%
- The company’s net debt position stands at INR -150 million i.e. a cash surplus.
- The value of our investment increased by 0.4% during the quarter.



² Excludes manager’s co-invest, which is ~9% of each investment; data as of September 30, 2016



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

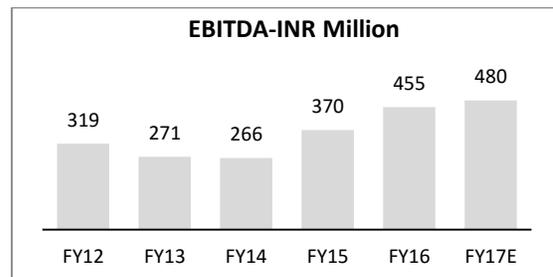
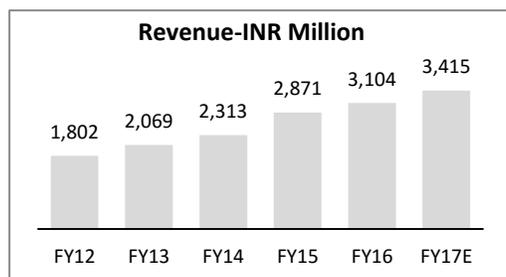
Weighted average of last and forward year trading multiples including EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

Business Updates

- Both the international and domestic order books remain strong, as a result of an increase in volume demand from Indian OEMs.
- The company continues to explore both equity and debt financing options to fund a capacity expansion.

Financial Updates

- During the quarter:
 - **YoY Sales:** Sales during the quarter was INR 699 million, compared to INR 665 million in Q1FY16
 - **YoY EBITDA:** EBITDA during the quarter was INR 102 million, up by 4% from Q1FY16.
- The company's EBITDA margins contracted by 15 bps to 14.6% in Q1FY17 as a result of lower capacity utilization.
- The company's net debt position increased by 4.6% QoQ at INR 1,685 million
- The value of our investment declined by 0.6% during the quarter.



³ Excludes manager's co-invest, which is 9% of each investment; data as of September 30, 2016

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**: \$4.69million
- **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 now awaiting the appointment of a new judge at the tax Authority of Advance Rulings (AAR). This will ideally lead to a rehearing of our case and an adjudication. At this time, no prediction can be made as to timing.
- Given the merits of the case, we continue to expect a successful outcome for the company and for the Fund. We note, however, that if the case is rejected at the AAR hearing – and recent hearings have not been in favor of the appellant -- the options to recover the tax receipts are very limited.

Financial Updates

- Kubera exited from the business in 2010, and distributed \$0.33 per share from realized cash flows.
- The value of our investment increased by 1.6% during the quarter.

⁴The company is now known as “Neopath Limited”

⁵ Excludes manager’s co-invest, which is ~9% of each investment; data as of September 30, 2016

Cumulative Investment Summary for holdings < 5%

- **Investment amount**⁶: \$15.0 million
- **Current Value**: \$0.0 million
- **NAV/Share**: \$0.0



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

- Kubera participated in a company's buy-back offer 2016 and successfully exited 96% of its holdings in Spark Capital. The total multiple in US dollar terms, including prior dividends, is 0.85x.

⁶ Excludes manager's co-invest, which is ~9% of each investment; data as of September 30, 2016