

Kubera Cross-Border Fund

Quarterly Newsletter Jan – Mar 2014

Fund Performance as at 31 Mar 2014

NAV	US\$ 0.56 (un-audited)
NAV plus shareholder distributions	US\$ 0.89
Change from prior qtr*	3%
Change from prior year*	-13%
Change from 2 yrs ago*	-26%
Total net assets	US\$ 61.9m
Shares outstanding	109.7m
Share price	US\$ 0.30
Market capitalization	US\$ 32.9m
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	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. The Fund adopted a realisation strategy following the global macroeconomic crisis of 2008-09. 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.

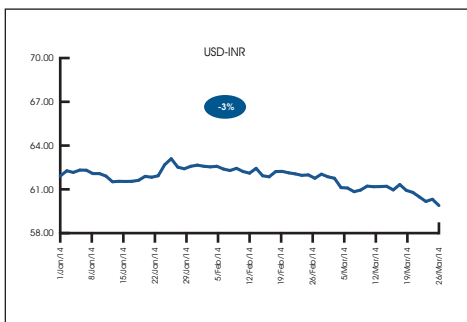
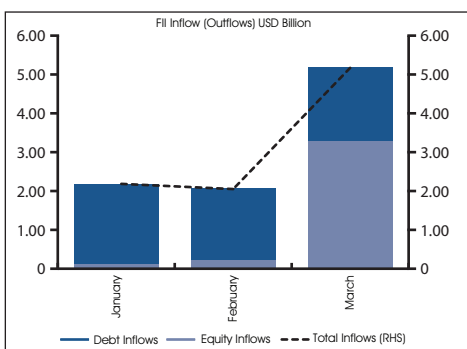
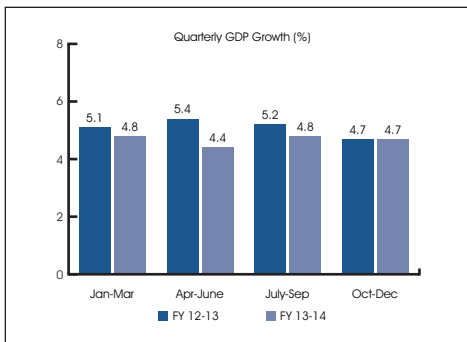
All proceeds generated from the realisation of investments are distributed by the Fund, subject to retaining a reserve to meet operating costs and liabilities and to enable the Fund to make follow-on investments in existing portfolio companies in order to take advantage of opportunities that enhance 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.

(\$ in millions) Company	Fund's Share ¹				Per Share ¹		
	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	0.4	26.8	27.2	–	0.24	0.24
Synergies Castings ²	26.9	0.6	21.4	22.0	–	0.20	0.20
Venture Infotek	–	–	5.0	5.0	–	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	0.1	0.4	0.5	–	0.00	0.00
	66.0	1.3	57.0	58.3	–	0.52	0.52
Total Portfolio	127.3	49.0	57.0	106.0	0.33	0.52	0.85
Cash						0.04	0.04
Total Fund⁴					0.33	0.56	0.89

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 March 31, 2014
- 4 Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of -1.8%, based on the 31 March 2014 NAV of \$0.56 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

Indian gross domestic product (GDP) grew at 4.7% during the quarter ending December 2013 and was flat as compared to the same period in the preceding year. Inflation remains an issue despite some easing over the past few months; concerns continue to revolve around slow industrial growth, contracting manufacturing output, weak investment and significant reduction in private consumption. Hopes are now pegged on a new government improving restoring confidence among consumers and businesses.

During the quarter, India received a total inflow of USD 9.41 billion from Foreign Institutional Investors (FIIs), with equity markets witnessing a net inflow of USD 3.29 billion, while debt markets witnessed a net inflow of USD 5.76 billion. As a result of the high capital inflows into equity markets, the benchmark equity index (Sensex) rose 5.89% during the quarter and the broader market index (the NIFTY Midcap) increased by 6.16% during the quarter.

The rupee continues to trade at the lower end of its range, but appreciated marginally to end the quarter at 59.89 rupees to the US dollar compared to 61.91 rupees to the US dollar at the end of previous quarter.

Persistent inflation, fiscal imbalances and investment bottlenecks have pulled down India's growth. Inefficiencies in the system require structural reforms. Measures are being adopted; with the recent policy issued by Reserve Bank of India, interest rates have been kept high to tame inflation; also easing norms for Foreign Portfolio Investors will evidence influx of foreign investment. Further, better growth prospects in the US and the euro zone should likely bolster external demand, as will competitiveness gains from currency appreciation.

Quarterly portfolio summary

At close of business on 31st March 2014, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.56. The aggregate of shareholder distributions to date and the NAV amount to US\$ 0.89 per share. The denomination of the Fund is 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 devalued relative to the US dollar by over 35%. The Fund's performance in rupee terms, as of the 31st March 2014 NAV, amounts to a multiple of 1.2x of cost; in dollar terms as mentioned above it is 0.89x (inclusive of total distributions of \$ 0.33/share).

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

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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:** 54%
- **Type of security:** Equity shares in India entity
- **Current Value:** \$5.01 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.

Financial Updates

- Kubera exited from the business in 2010.
- Have already distributed \$0.33/share from the realized cash flows.
- The value of our investment during the quarter was higher by 4%.

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

⁶ Excludes manager's co-invest, which is ~9% of each investment; data as of Mar 31, 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 amount**⁷: \$15 million
- **Investment Date**: December 2007
- **KUBC Holding**: 33.4%
- **Type of security**: Preference shares in India entity
- **Current Value**⁸: \$2 million
- **NAV/Share**: \$0.02

Valuation Methodology

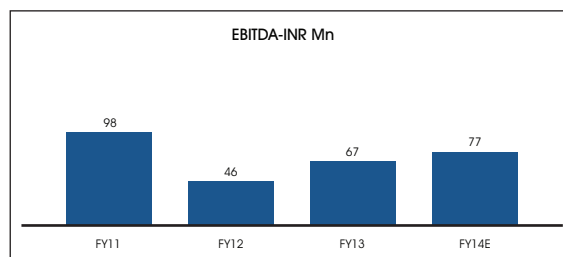
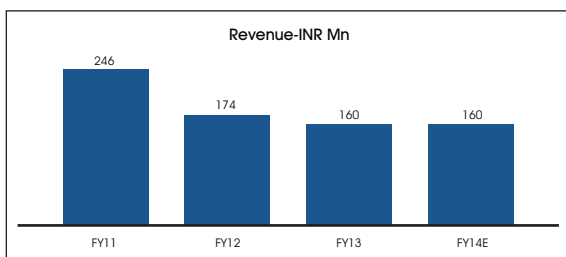
- We have written down the value of our equity investment to \$100,000

Business Updates

- We remain engaged with management regarding a restructuring process, and will investigate other options if that process does not fructify
- The Company has appointed a banker to sell certain business segments in order to generate cash and reduce debt.

Financial Updates

- During the current quarter, the Company generated INR 31 million in revenues and INR 7.1 million in EBITDA with EBITDA margins of 23%. 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 Mar 31, 2014.

8 Includes loan of \$1.9mn or \$0.02 per share extended to Ocimum in December 2010; carrying value as of Mar 31, 2014.

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Portfolio Update



Company Overview

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

Investment Summary

- **Investment amount⁹:** \$1.4 million
- **Investment Date:** March 2008
- **KUBC Holding:** 11.6%
- **Type of security:** Equity shares in India entity
- **Current Value:** \$1.4 million
- **NAV/Share:** \$0.01

Valuation Methodology

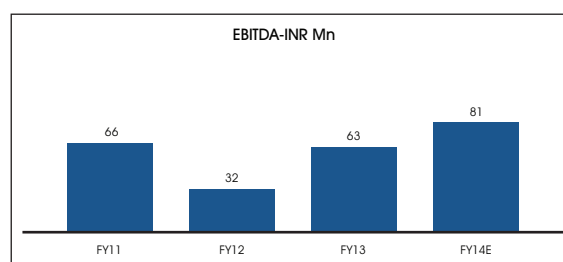
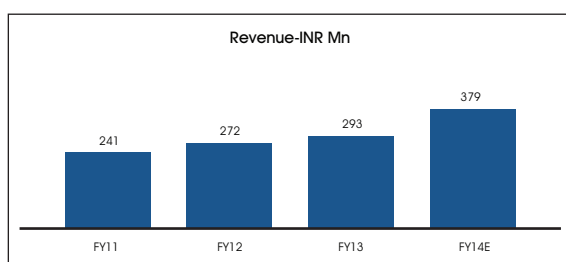
- Weighted average of last and forward year trading multiples including: EV/Revenues, P/BV, P/E, & discounted cash flows.

Business Updates

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

Financial Updates

- The Company performed very well during the quarter; key operating metrics during the quarter were significantly higher in almost all business segments.
- During the quarter:
 - **YoY Sales:** higher by 51%
 - **YoY EBITDA:** higher by 1.31x
 - **YoY Net Profit:** higher by 1.37x
- The value of our investment remained unchanged during the quarter.



⁹ Excludes manager's co-invest, which is ~9% of each investment; data as of Mar 31, 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**: 6.4%
- **Type of security**: Equity shares in India entity
- **Current Value**: \$441,000
- **NAV/Share**: \$0.004

Valuation Methodology

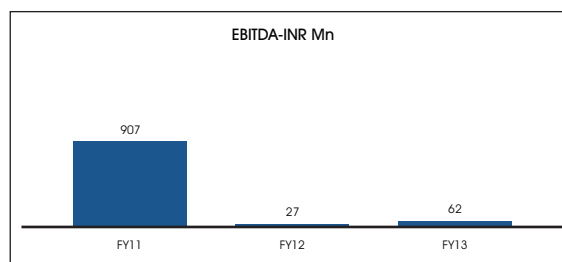
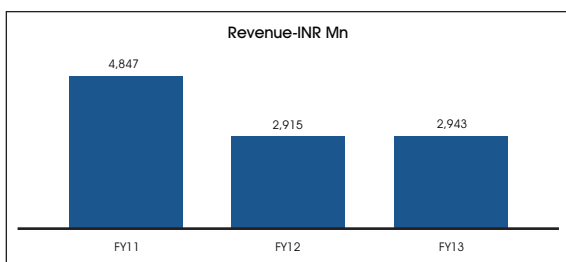
- GSS is a listed entity and the Company is valued on the basis of the publicly traded market price at the end of the quarter.

Business Updates

- The Company's turnaround continues to progress.

Financial Updates¹¹

- Operating margins were challenged during the quarter, primarily on account of higher direct & employee costs:
 - **YoY Sales**: Were higher by 6%
 - **YoY EBITDA**: Was lower by 27%
 - **YoY Net Profits**: Was lower by 92%
- The value of our investment was lower as the stock was down 19% during the quarter.



¹⁰ Excludes manager's co-invest, which is ~9% of each investment; data as of Mar 31, 2014.

¹¹ FY12 Financial are for 9 months ending 31st March 2012.

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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.

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.