

Kubera Cross-Border Fund

Quarterly Newsletter July – Sept 2010

Fund Performance as at 30 Sept 2010

NAV	US\$ 1.32 (un-audited)
Change from prior qtr	12%
Change from prior year	36%
Change from 2 yrs ago	39%
Total net assets	US\$ 144.9m
Shares outstanding	109.7m
Share price	US\$ 0.95
Market capitalisation	US\$ 104.2m
Manager co-invest	9% pro rata of each investment US\$ 11.5m 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	Multiconsult
Custodian	HSBC
Auditor	KPMG

Manager

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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 and is fully invested. Eight of these investments are in companies that are domiciled in India. Two investments have been fully realised. 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\$ 11.5m to date).

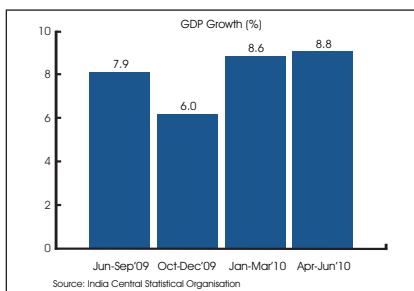
On 27 August 2010, the Fund announced that Atos Origin, an international IT services company, had acquired Venture Infotek, an investee company of the Group. The Fund received distributions equal to 28 cents per share out of the sale proceeds to the Group. The remaining sales proceeds of 12 cents per share will be received over three years, upon the release of standard escrow holdbacks and refund of withholding taxes.

At close of business on 30 September 2010, the Fund's un-audited net asset value per share ("NAV") was US\$ 1.32, a 12% increase from the prior quarter. The increase in NAV is primarily attributable to net distributions to the Fund from the sale of Venture Infotek and an increase in Indian public equity market valuations. On 7 October 2010, the Fund announced a distribution of capital of US\$ 0.28 per share payable in cash from the Fund's share premium account. The NAV as adjusted for this distribution is US\$ 1.04.

Current Portfolio						
(\$ in millions) Company	Capital Invested	Cash Realized	Fund's Share			
			Carrying Value	Total Value	Gross IRR	Gross Multiple
Portfolio: Realized						
Venture Infotek ¹	20.9	33.7	15.8	49.5	36.3%	2.4x
Infotech Enterprises	0.9	1.9	–	1.9	70.0%	2.2x
Total	21.8	35.6	15.8	51.4	36.8%	2.4x
Portfolio: Unrealized/Partly Realized						
Synergies Castings ²	21.7	0.1	21.8	21.9	0.3%	1.0x
Adayana ³	21.1	3.6	21.7	25.4	6.2%	1.2x
Essel Shyam Communication	13.4	–	17.3	17.3	14.5%	1.3x
Ocimum Biosolutions	12.8	–	7.1	7.1	-18.8%	0.6x
GSS America	9.3	–	6.7	6.7	-11.5%	0.7x
Kejriwal Stationary	18.2	–	2.1	2.1	-46.3%	0.1x
Spark Capital	1.4	–	1.4	1.4	2.1%	1.1x
Total	97.9	3.7	78.0	81.9	-6.3%	0.8x
Total Portfolio	119.7	39.3	93.8	133.3	4.0%	1.10x
Per Share Data						
Current Portfolio NAV			0.85			
Cash in hand			0.19			
Cash pending distribution (announced on 7 Oct 2010)			0.28			
Total Fund NAV			1.32			
Net Fund IRR⁴	1.0	–	1.32	1.3	7.7%	1.32x

Notes:

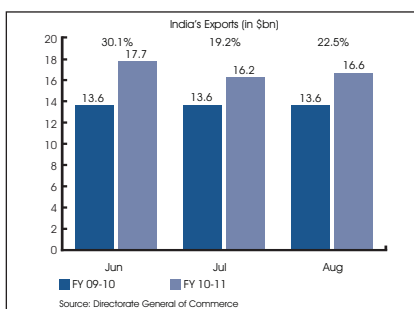
- Includes loan of US\$ 1.1 million extended to the company in March 2009 and repaid in June 2009. US\$ 15.8 million to be received over three years upon the release of standard escrow holdbacks and refund of withholding taxes
- Includes loan of US\$ 2.3 million extended to the company in February 2010
- Includes loan of US\$ 3.1 million extended to the company in July 2009 and repaid in August 2010
- Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of 7.7%, based on the 30 Sept 2010 NAV of \$1.32



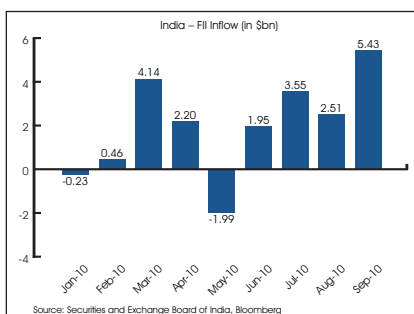
India Economic and Market Review¹

India's real GDP grew approximately 8.8% in the first quarter of FY 2011. Manufacturing and services sectors registered strong growth rates of 12.4% and 9.74% respectively. Agriculture grew at 2.86% as compared to 1.86% last year due to a good monsoon. Most analysts expect the GDP growth for FY 2011 to be over 8.5%.

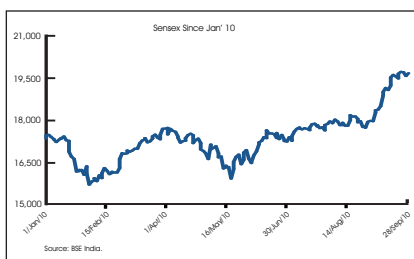
With strong growth throughout early 2010, the Reserve Bank of India ("RBI"), India's central bank, shifted its focus to stemming price pressures and has begun to cautiously tighten monetary policy. The RBI has raised its key lending and borrowing rates five times in 2010 to tame spiralling prices, especially of food articles. India's headline inflation in August eased from the previous month to 8.51% year-on-year, but remained significantly above the central bank's estimate of 6% by the fiscal year end in March 2011. However, the inflation has started to come down gradually and markets expect a maximum one round of increase in the key and borrowing rates during the remainder of 2010.



India's merchandise exports witnessed strong growth during the quarter, increasing by more than 30.1% year-on-year in June, 19.2% in July and 22.5% in August 2010. This was driven by increased exports of cotton yarn, petroleum, oil and lubricants, iron ore, engineering goods and gems & jewelry. While the exports have registered strong growth over the last few months, fears over a double – dip recession in the developed economies and appreciation in Indian currency could potentially lead to a slowdown once again. Exports for the services sector for the June 2010 quarter fell by over 3% year-on-year to US\$ 20.5 billion as against US\$21.2 billion for the previous year.



There was a net inflow of US\$ 11.5 billion during the July to September 2010 quarter as compared to a net inflow of US\$ 2.16 billion during the previous quarter. The rupee appreciated 3.3% in the quarter against the dollar and ended at Rs. 44.95 at the end of the July to September 2010 quarter. We expect the currency to remain volatile within a reasonable range and are advising our portfolio companies to be prepared for such a scenario.










The BSE Sensex (comprising of 30 stocks) gained 13.4% over the September quarter, and ended at 20,069 points. Strong FI inflows contributed to this upsurge in the index during the quarter. During the same period the mid-cap index (NIFTY Midcap) underperformed the broad index, and was up by only 8.6%. At current prices, the Indian stock market is priced at a forward P/E ratio of between 20 – 22.

¹ Sources: Indian Central Statistical Organisation, Directorate General of Commerce, BSE India, Securities and Exchange Board of India, Bloomberg.

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Portfolio Update

Company	Description	NAV Per Share ¹ (US \$)	% Stake	FY 2011E Sales (US \$mn)	FY 2007-11 Sales CAGR	Quarterly Update
 SYNERGIES CASTINGS LIMITED	#1 Indian alloy wheel vendor	0.20 ²	56.7%	34.4	7%	The company continues to make strong progress driven by the domestic market and demand pick up in the US. The capital expenditure plans are underway for further capacity expansion by the end of the year to support the robust order book.
 ADAYANA	E-learning & training solutions provider	0.20	31.1%	49.2	35%	The company is on course to meet its FY11 budgets in both Government and Industry segments even while overall business spending on e-learning in the US remains volatile. The company is also seeing strong growth in India.
 ESSEL SHYAM	#1 independent Indian media broadcasting solutions provider	0.16	27.6%	27.6	15%	The company has shown good performance, driven by the increase in media related capital expenditures and increased outsourcing by global broadcasters. The company started operations of a dedicated teleport for Star TV this quarter for all of Star's national channels and some regional channels.
 Ocimum Biosolutions	#1 genomics outsourcing company out of India	0.06	33.4%	18.9	56%	The company is emerging from the slowdown in the US with a renewed focus on bio research services. The database business continues to struggle as the company makes a shift from short term license sales to longer term subscription revenues.
 GSS America	Provider of IT infrastructure management and enterprise application integration services	0.06	6.4%	109	35%	GSS had a strong year on year growth of 32% in Q1 FY11 driven by strong demand for its services in the US market.
 KEJRIWAL STATIONERY	Manufacturer & distributor of stationery products	0.02	25.1%	NM ³	NM ³	The company continues to struggle in spite of high sales, which are driven pre-dominantly by pass-through trading business.
 SPARK CAPITAL enhancing value	#1 South Indian investment bank	0.01	9.1%	3.2	10%	The Indian markets have been robust over the past quarter and the bank will benefit across its investment banking and brokerage businesses.

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\$ 2.3 million or US\$ 0.02 per share granted to the company in February 2010

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

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DISCLAIMER

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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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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.