

Kubera Cross-Border Fund

Quarterly Newsletter Oct – Dec 2011

Fund Performance as at 31 Dec 2011

NAV	US\$ 0.94 (un-audited)
NAV plus shareholder distributions	US\$ 1.22
Change from prior qtr*	0%
Change from prior year*	-6%
Change from 2 yrs ago*	14%
Total net assets	US\$ 102.9m
Shares outstanding	109.7m
Share price	US\$ 0.66
Market capitalization	US\$ 72.4m
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
Administrator	Cim Fund Services
Custodian	HSBC
Auditor	KPMG

Manager

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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 specialized 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 realized 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).

The Fund will not make any investments in companies not already held in the portfolio. 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.

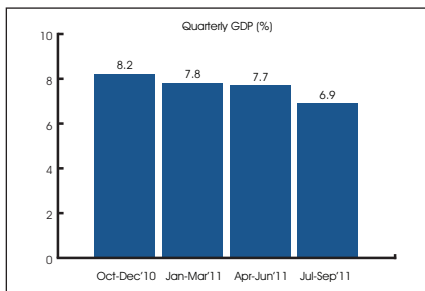
At close of business on 31 December 2011, the Fund's un-audited net asset value per share ("NAV") was US\$ 0.94. Shareholder distributions to date taken together with the NAV total US\$ 1.22. The denomination of the Fund is US Dollars; the Fund does not hedge its investments held in Indian Rupees.

Current Portfolio				
(\$ in millions) Company	Fund's Share			Total Value
	Capital Invested	Cash Realized	Carrying Value	
Portfolio: Realized				
Venture Infotek ¹	20.9	33.7	15.3	49.0
Infotech Enterprises	0.9	1.9	–	1.9
Total	21.8	35.6	15.3	50.9
Portfolio: Unrealized/Partly Realized				
Adayana ²	21.1	3.6	24.9	28.5
Synergies Castings ³	26.9	0.4	26.8	27.2
Essel Shyam Communication	13.4	0.3	20.4	20.7
Ocimum Biosolutions ⁴	15.0	0.0	2.8	2.8
GSS America	9.3	0.1	0.7	0.8
Kejriwal Stationary	18.2	0.0	2.1	2.1
Spark Capital	1.4	0.2	1.6	1.8
Total	105.3	4.6	79.3	83.9
Total Portfolio	127.1	40.2	94.6	134.8
Per Share Data				
Current Portfolio NAV			0.86	
Cash in hand			0.08	
Total Fund NAV			0.94	
Net Fund IRR ⁵	1.0	0.28	0.94	1.22

Notes:

- 1 Includes loan of US\$ 1.1 million extended to the company in March 2009 and repaid in June 2009
- 2 Includes loan of US\$ 3.1 million extended to the company in July 2009 and repaid in August 2010
- 3 Includes loan of US\$ 2.9 million extended to the company in February 2010 and March 2011
- 4 Includes loan of \$2.3 million extended to the company in December 2010
- 5 Continuing shareholders who participated in the original fundraise at \$1.00 per share have a net IRR of 4.2%, based on the 31 December 2011 NAV of \$0.94 and cash distribution of \$0.28 in October 2010

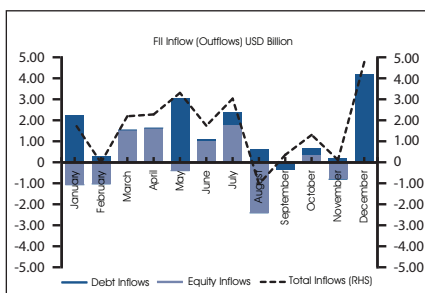
* % change from prior periods computed for NAV plus shareholder distributions to date.



India Economic and Market Review¹

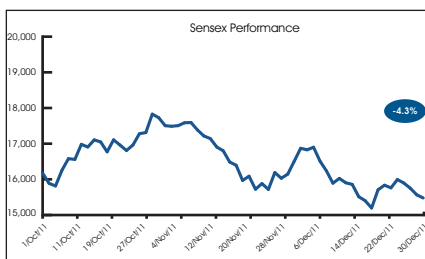
GDP growth decelerated to 6.9% in the second quarter of FY12 (financial year ending March 2012) vis-à-vis 7.7% in the previous quarter. It decelerated significantly from 8.9% in the corresponding quarter of 2010.

Inflation, based on the wholesale price index, dropped to a two-year low to 7.47% in December, compared to 9.11% in the previous month. The moderation in December was due to the easing of food prices. Primary articles inflation slowed to 3.1% from 8.5% in November. Inflation in the manufactured goods sector and the fuel and power sector eased only marginally. In the manufactured goods segment, the inflation rate moderated to 7.4% in December from 7.7% in November. For fuel and power, the rate of inflation slowed to 14.9% in December from 15.5% in the previous month.



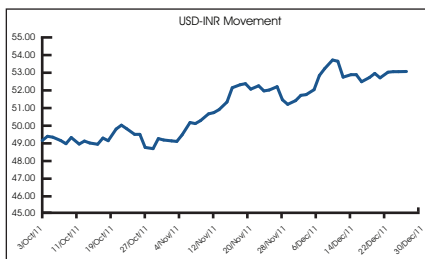
Foreign direct investment (‘FDI’) inflows in the country during the period from April 2011 to October 2011 increased by 64% to US\$ 20.3 billion against US\$ 12.4 billion in the same period of 2010. During the entire period, the services sector (financial & non-financial), attracted the maximum FDI investment, worth US\$ 3.4 billion. Telecommunications was the second best sector that attracted US\$ 1.9 billion, followed by computer software & hardware (US\$ 0.5 billion), housing & real estate (US\$ 0.5 billion), construction (US\$ 1.1 billion), power (US\$ 1.3 billion) and automobile (US\$ 0.6 billion)

Foreign Institutional Investors have been selling across markets and pulling out money from India and other emerging markets. However, for the year to date, overseas funds invested US\$ 11.93 billion in Indian markets (US\$ 0.75 billion in Indian equities market & US\$ 11.18 billion in Indian debt markets).



Despite slowdown in economic activity in the western markets and the euro zone, India’s exports rose at an annual rate of 6.7% to \$25 billion, while imports for the month rose 19.8% to \$37.8 billion, translating into a trade deficit of \$12.8 billion. Oil imports for the month of November grew 32.3 per cent to \$10.3 billion.

The BSE Sensex (comprising of 30 stocks) was volatile between October and December 2011 and declined by 4.3% over the quarter, ending at 15,455 points. During the same period the mid-cap index (NIFTY Midcap) underperformed the broad index significantly, and was down by 14.2%. At current prices the Indian stock market is trading at a trailing P/E ratio of 14x and forward P/E ratio of approximately 12x-13x.




The European debt problem has unquestionably been the dominant global factor over the past few months, which has been a source of volatility in global asset and currency markets. The impact of this recent global instability on India has been enormous. With the kind of volatility evident in global capital flows over this period, virtually all emerging market economy currencies faced pressure to depreciate. The Indian Rupee depreciated significantly to end at 53.07 per US dollar, declining approximately 8% during the quarter.

¹ 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 ¹ (US\$)		Change	% Stake	FY 2012E Sales (US\$m)	FY 2007-12 Sales CAGR	Quarterly Update
		31 Dec 2011	30 Sep 2011					
 SYNERGIES CASTINGS LIMITED	#1 Indian alloy wheel vendor	0.24 ²	0.25	-0.01	58.3%	39	13%	<ul style="list-style-type: none"> FY12 is expected to be a strong year for the company on the back of the capacity expansion concluded in the last quarter of FY11. The company has made good progress on solving its legacy debt issues – our additional investment of \$5 million in Sep 2011 was towards settling a key lender. The company has a roadmap in place to resolve the remaining issues over the next 12 months. Upon resolution, it will get access to normal debt lines which will enable it to continue its growth, and reduce its overall cost of capital. The decline in NAV per share of US\$0.01 is on account of partial repayment of our loan extended to the company in March 2011.
 ADAYANA Accelerate Success	E-learning & training solutions provider	0.23	0.23	0.00	31.1%	48.5	26%	<ul style="list-style-type: none"> The macro environment for Adayana remains volatile with the US Government cutbacks (particularly the department of defense) and the slowdown in the US. The company has high debt levels and is in the process of restructuring its debt with its current mezzanine lender. Adayana has undertaken several initiatives including a lot of cost controls to achieve the FY12 forecast. While the US government order book is weak, given the recent shutdown, the industry business continues to do well. The company has also won a couple of large strategic contracts with key customers. The company is on track to meet its revised financial estimates and hence our carrying value remains unchanged during the quarter.
 ESSEL SHYAM	#1 independent Indian media broadcasting solutions provider	0.19	0.16	0.03	27.6%	32	18%	<ul style="list-style-type: none"> ESCL will have a strong FY12 driven by the high run rate in the core media services business. Teleporting segment is expected to add a number of new channels and expand services for existing channels. The company is incurring substantial capex to establish a nation-wide delivery footprint with teleports in Kochi and Mumbai. This is expected to generate significant traction over the next couple of years and will also enable the company to branch out into related fields. The company has revised its financial projections to reflect the traction in the teleporting business. Hence the NAV per share increased by US\$0.03 during the quarter.

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 Ocimum Biosolutions	#1 genomics outsourcing company out of India	0.02 ³	0.03	-0.01	33.4%	12.5	38%	<ul style="list-style-type: none"> Ocimum is having a tough FY12 and has immediate cash flow challenges. Its US subsidiary (the Genelogic business) has filed for chapter 11 bankruptcy – the company is working with its bankers and lenders to find buyers for the business. There are some points of light in the India business where both the services and information management solutions businesses are growing, albeit from a small base. During the quarter, our NAV per share declined by US\$0.01 per share, on account of decrease in relative public equity market valuations, weak financial performance and depreciation of rupee. The outcome of the US bankruptcy proceedings might force us to take further write-downs as the US subsidiary was a major revenue contributor.
 gss Infotech	Provider of IT infrastructure management and enterprise application integration services	0.01	0.02	-0.01	6.4%	122	30% ⁴	<ul style="list-style-type: none"> GSS's financial performance remains volatile; while it has grown YoY, the last quarter saw a sequential decline in revenues due to certain delays in the pipeline and order losses. During the quarter, our NAV per share declined by US\$0.01 per share on account of lower stock price and adverse currency movement.
 KEJRIWAL STATIONERY	Manufacturer & distributor of stationery products	0.02	0.02	0.00	25.1%	NM ⁵	NM ⁵	<ul style="list-style-type: none"> The company continues to struggle. It is looking at reviving US sales by targeting the US market through tie ups with distributors, leveraging the company's eco-friendly re-positioning strategy. The company is in the process of negotiating a debt restructuring package with its lenders. The debt is held by its wholly owned Indian subsidiary. The promoter is also pursuing opportunities to partner with local/international companies looking at entering the Indian market.
 SPARK CAPITAL enhancing value	#1 South Indian investment bank	0.01	0.01	0.00	9.1%	6.6	23%	<ul style="list-style-type: none"> The investment banking practice has stabilized and is well set for the next phase of growth in terms of larger transactions, greater coverage and public market opportunities. Similarly, the securities broking business and asset management practice have the necessary building blocks in place for strong growth.
Total portfolio		0.72	0.72	0.00				
Cash from portfolio realization pending receipt ⁶		0.14	0.14	0.00				<ul style="list-style-type: none"> The company is on track to collect the first escrow release during the first quarter of 2012. The net amount available for distribution to KUBC shareholders is expected to be approximately US\$0.02 per share.
Cash in hand		0.08	0.08					
TOTAL NAV		0.94	0.94					

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\$ 2.8 million or US\$ 0.026 per share granted to the company in February 2010 and March 2011

³ Includes loan of US\$ 2.3 million or US\$ 0.02 per share granted to the company in December 2010

⁴ FY12E revenue figure sourced from broker reports. CAGR shown is for the period FY07 to FY12

⁵ Revenue growth driven almost entirely by trading and therefore not a meaningful indicator of value

⁶ Gross amount of standard escrow holdbacks and withholding taxes from realization of investment in Venture Infotek in August 2010, to be gradually released over three years

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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.

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.