

Kubera Cross-Border Fund

Quarterly Newsletter Oct – Dec 2010

Fund Performance as at 31 Dec 2010

NAV	US\$ 1.01 (un-audited)
NAV plus shareholder distributions	US\$ 1.29
Change from prior qtr*	-2%
Change from prior year*	21%
Change from 2 yrs ago*	47%
Total net assets	US\$ 111.09m
Shares outstanding	109.7m
Share price	US\$ 0.72
Market capitalisation	US\$ 78.98m
Manager co-invest	9% pro rata of each investment US\$ 11.7m 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\$ 11.7m to date).

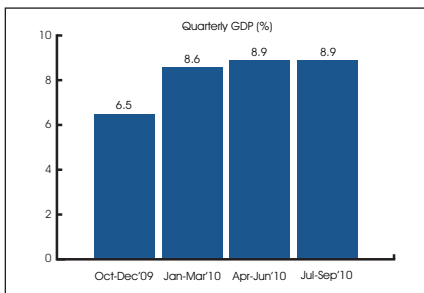
At close of business on 31 December 2010, the Fund's un-audited net asset value per share ("NAV") was US\$ 1.01. Shareholder distributions to date taken together with the NAV total US\$ 1.29.

(\$ 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	16.1	49.8	35.4%	2.4x
Infotech Enterprises	0.9	1.9	–	1.9	70.0%	2.2x
Total	21.8	35.6	16.1	51.7	36.0%	2.4x
Portfolio: Unrealized/Partly Realized						
Synergies Castings ²	21.7	0.2	21.8	21.9	0.4%	1.0x
Adayana ³	21.1	3.6	24.4	28.1	9.1%	1.3x
Essel Shyam Communication	13.4	0.1	17.2	17.4	13.0%	1.3x
Ocimum Biosolutions ⁴	15.0	–	7.4	7.4	-25.5%	0.5x
GSS America	9.3	0.0	4.0	4.1	-24.6%	0.4x
Kejriwal Stationary	18.2	–	2.1	2.1	-44.0%	0.1x
Spark Capital	1.4	0.1	1.4	1.4	1.9%	1.1x
Total	100.2	4.1	78.3	82.6	-6.5%	0.8x
Total Portfolio	122.0	39.7	94.4	134.2	3.3%	1.10x
Per Share Data						
Current Portfolio NAV			0.85			
Cash in hand			0.15			
Total Fund NAV			1.01			
Net Fund IRR⁵	1.0	0.28	1.01	1.29	6.6%	1.29x

Notes:

- 1 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
- 2 Includes loan of US\$ 2.3 million extended to the company in February 2010
- 3 Includes loan of US\$ 3.1 million extended to the company in July 2009 and repaid in August 2010
- 4 Includes loan of \$ 2.5 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 6.6%, based on the cash distribution of \$0.28 during October 2010 and 31 Dec 2010 NAV of \$1.01.

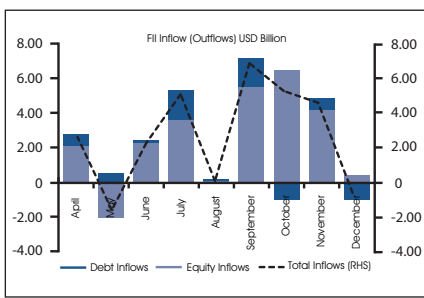
* % change from prior periods computed for NAV plus shareholder distributions to date.



India Economic and Market Review¹

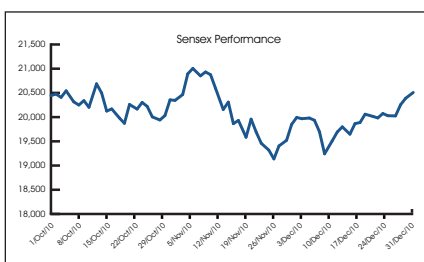
India's real GDP grew approximately 8.9% in the second quarter of FY 2011 as compared to 8.7% in the same quarter last year. Industrial and services sectors registered strong growth rates of 8.9% and 9.8% respectively, with Manufacturing, Construction & Mining growing at 9.8%, 8.8% & 8%. The agriculture sector grew at 4.4% compared to 0.9% last year due to a good monsoon season. Several analysts expect the GDP growth for FY 2011 to be over 8.5%.

With the spurt in Indian economic growth, Inflation remains a major concern as it hovers above the Reserve Bank of India's ('RBI') comfort zone & estimate of 5.5%. The overall wholesale inflation was 8.48% in December rising faster than 7.48% in November. The wholesale food inflation rose to 16.91% for the week ending 1 January 2011 as compared to a yearly high of 18.32% for the week ended 25 December 2010, raising concerns of further tightening of interest rates by RBI in upcoming monetary review meeting. RBI has already increased the key rates six times in the last one year and analysts expect it to raise key rates further by 100-150bps during calendar year 2011.



Indian merchandise exports grew for the eighth straight month increasing more than 23% in September 2010. Exports during April to September 2010 stood at US\$ 103.6 billion posting an increase of 28% as compared to a decline of 25.7% during April to September 2009, driven by exports of petroleum products, iron ore, engineering goods, chemicals & jewelry.

In spite of high inflation & rising interest rates in the country, India remained a preferred destination for foreign investments in 2010 due to its high growth rate. The same is evident from the strong FI inflows number. There was a net inflow of US\$ 10.9 billion during the October to December 2010 quarter as compared to a net inflow of US\$ 11.5 billion during the previous quarter. Overseas funds infused US\$ 0.7 billion in December 2010 taking the total to US\$ 39.47 billion (US\$ 29.36 billion in Equities & US\$ 10.11 billion in Debt Markets) in 12 months ending 2010, whereas during April-December 2010 total FI inflows were US\$ 26.05 billion (US\$ 22.35 billion in Equities & US\$ 3.70 billion in Debt Markets).



As compared to FI inflows, overall foreign direct investment ('FDI') inflows declined by 30% to US\$ 12.39 billion during April to October 2010, against US\$ 17.6 billion in the year-ago period. The services sector (financial & non-financial), attracted the maximum FDI investment, worth US\$ 2.16 billion. Telecommunications segment was the second best sector that attracted US\$ 1.06 billion, followed by power (US\$ 729 million), construction (US\$ 718 million), housing and real estate (US\$ 716 million) and computer and software (US\$ 553 million), and during the period.





The BSE Sensex (comprising of 30 stocks) was volatile during October to December 2010 period and gained a meager 0.31% over the quarter, ending at 20,509 points. During the same period the mid-cap index (NIFTY Midcap) underperformed the broad index, and was down by approx -5%. At current prices the Indian stock market is trading at trailing P/E of 17.7x and forward P/E ratio of 18x-20x.

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 \$)	% Stake	FY 2011E Sales (US \$m)	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 good progress driven by the domestic market and demand pick up in the US. The company has successfully completed the capacity expansion to support the robust order book going into the next fiscal year.
 ADAYANA	E-learning & training solutions provider	0.22	31.1%	49.2	35%	While overall business spending on e-learning in the US remains volatile, revenues will be up year over year in FY11.
 ESSEL SHYAM	#1 independent Indian media broadcasting solutions provider	0.16	27.6%	27.6	15%	The company has shown good performance, driven by increased outsourcing by global broadcasters.
 Ocimum Biosolutions	#1 genomics outsourcing company out of India	0.07 ³	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 but the bio research business has shown steady growth.
 GSS America	Provider of IT infrastructure management and enterprise application integration services	0.04	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. However, the GSS stock price fell during the last quarter due to a correction in the mid-cap stocks in the Indian market.
 KEJRIWAL STATIONERY	Manufacturer & distributor of stationery products	0.02	25.1%	NM ⁴	NM ⁴	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.
Total portfolio		0.71				
Cash from portfolio realisation pending receipt⁵		0.15				
Cash in hand		0.15				
TOTAL NAV		1.01				

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

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

5 Gross amount of standard escrow holdbacks and withholding taxes from realisation of investment in Venture Infotek, to be gradually released over the next 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.

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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.