

Dear Investors

We are pleased to present the Fund Update for the period ended June 30, 2014 for the IL&FS Milestone Core Plus Retail Fund LLC (Fund).

Expectations of an economic turnaround were belied with GDP growth slowing down to about 4.7% for FY 2013-14, marking it as the second straight year with below-5% growth. Agriculture grew at 6.3% q-o-q, while manufacturing growth dipped to a low of about 1.4% q-o-q. A persistent global economic slowdown hemmed in India's exports sector as well, further hindering growth prospects.

Commercial leasing activity picked up marginally in the month of May, clocking about 6% q-o-q growth, the quantum of leased space touched its peak for 2014 so far. Demand was seen to be increasing for small to medium-sized office spaces for the most part, even though the leasing quantum was driven by a few large transactions in Bangalore, Chennai, Hyderabad and Pune—contributing about 70% to the entire space transacted during May.

Bangalore remained the largest contributor to office space demand, followed by Pune and Delhi NCR; representing about 66% of the total space transacted during the month. Occupier interest remained strong in micro-markets such as the ORR and Whitefield in Bangalore, the IT Corridor and Extended IT Corridor in Hyderabad, Yerwada in Pune, and the peripheral regions of Delhi NCR (e.g. Gurgaon). Sectors such as IT, BFSI, manufacturing, telecommunications and pharmaceuticals continued to drive demand for office space, with more than 65% of total demand being concentrated in back-office spaces. SEZ developments remained muted during this period. Rental values largely remained stable across all micro-markets.

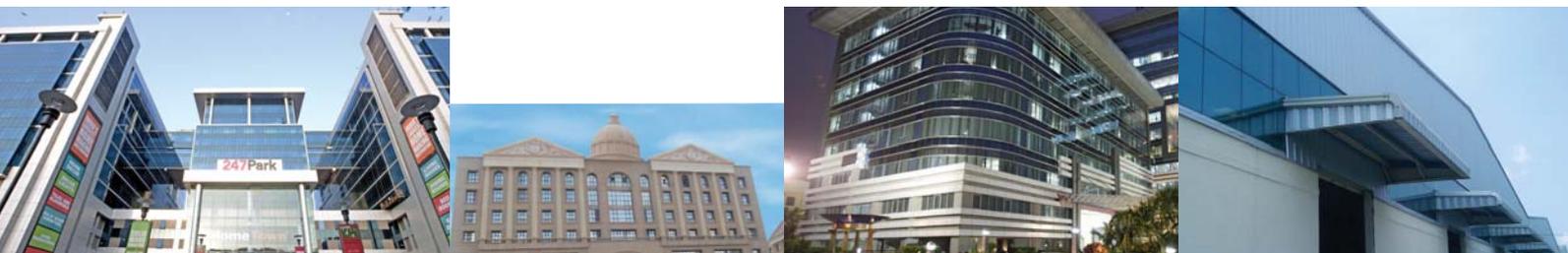
The retail market witnessed stable demand—mostly driven by retailers from the fashion and apparel, F&B, fashion accessories, and electronics segments, which continued to strengthen their presence across cities during the month. High street locations continued to observe healthy leasing activity; while limited space availability led to restricted retail activity in prominent mall developments across most leading cities. The number of new retail entrants remained low during the month. Rental values continued to remain stable in most high streets and organized mall clusters across the country. (Source – CBRE India)

The Fund is in active discussion with an institutional investor for exit.

We thank you for your continued support.

Regards,

IL&FS Milestone Core Plus Retail Fund LLC



FUND SUMMARY AS ON JUNE 30, 2014

Fund Received	US\$ 22.00 mn
Final Closing Date	19th December 2011
Term	5 years + 1 year + 1 year
No. of Investments	1
Amount Drawn till Date	US\$ 22.00mn
Amount Invested*	US\$ 16.83 mn
Income Distributed	US\$ 2.25 mn (10.3%)

* Fund owns 19.5% in SPV stake

247Park, Mumbai



Overview

HCC 247Park is located on Lal Bahadur Shastri Road (LBS Road) in Vikhroli, Mumbai. It has a mix of commercial office space and retail spaces. The total leasable area in the building is 1.1 mn sq. ft. IL&FS Milestone Fund II has invested in the building in July 2010.

Configuration

Total leasable area	1.1 mn sq. ft.
Development mix	Commercial development support retail and other amenities
Total no of buildings	3

Site & Location

HCC 247Park is located in Vikhroli, Mumbai. It comes under the Secondary Business District (West) commercial micro market of Mumbai. Earlier home to large industrial establishments like Crompton Greaves, Kanjurmarg is fast developing into a business district. Some of the major corporate campuses in Kanjurmarg include One World and Lodha iThink. Kanjurmarg also has residential complexes, top among them being Mahindra Lifespaces Great Eastern Gardens, Gundecha Heights and Altura, Royal Park and Lodha Aurum and Lodha Aurum Grande. A 335 rooms Radisson Hotel is in the final stage of construction and should be operational soon.

Connecting arterial roads

HCC 247Park is located on LBS road. The JVLR is about 550 m away.

Access to public and hired transport

The subject building is well connected by means of rail and road. The nearest suburban railway station is at Kanjurmarg, on the Central Railway. The Vikhroli station is also nearby. The Brihanmumbai Electric Supply & Transport Undertaking (BEST) buses, taxis and autorickshaws are available for road transport. The nearest BEST bus stop is at Gandhi Market, at a distance of 650 m.

Location

Address	On LBS Road, Vikhroli, Mumbai
Business District	SBD
Proximity to CBD	30 km
Proximity to airport	15 km
Prox. to Suburban railway station	0.5 km
Prox. to Central railway station	10 km
Developers	Hindustan Construction Company (HCC)

Source: Knight Frank Research

Project Details

247Park was developed by HCC Real Estate, a wholly owned subsidiary of Hindustan Construction Company (HCC). India's largest standalone Leadership in Energy and Environmental Design (LEED) certified Gold rated building. The property is very efficiently designed with very high end building management systems, allowing for very efficient common area maintenance and low maintenance costs. The building houses commercial office spaces, retail outlets, a food court, gymnasium and a business center. In addition to this there are 1,200 car parkings at the basement and podium levels and 108 two wheeler parkings across 2 podium levels.

Tenant Profile

247Park is a multi-tenanted Information Technology/Information Technology Enabled Services property. The total leasable area in the building is 1.1 mn sq ft out of which around 90% has been fully leased to Grade-A tenants like Future Group, Atos, HCC, Siemens, DHL, Tata Consultancy Engineering etc. Though the average rentals from the property are in the range of INR 75 psf (per square feet) per month to INR 80 psf per month, the rentals have witnessed an upward trend. During the quarter 16,000 sq ft of space has been leased to Vuclip at a monthly rent of Rs 90 psf. Vikhroli Corporate Park Pvt. Ltd. (The Company) is trying to lease out the vacant space of 106,000 sq ft and negotiating with several prospective occupiers and aims to achieve above 95% occupancy.

The Fund has not been able to distribute any yield to investors post September 2013. In light of the notification issued by the Central Board of Direct Taxes (CBDT) as per provisions of section 94A of the Income Tax Act, the Company is required to deduct tax at the maximum rate on any amount payable to the investors resident in Cyprus. As a result of this change in tax laws, the company has withheld and paid tax on behalf of the investors to the tune of Rs 3.94 Crores for FY14 and will continue in future till the notification is in force. Also the yield rate is likely to remain around the recent distribution levels given that the repayment of existing loan from SBI will increase from Rs 30 Crores in FY 14 to Rs 45 Crores in FY15 which will be paid in addition to the interest on SBI loan. Going forward the increase in repayment of existing loan is expected to be met partly by increase in occupancy levels in the building and the balance from the cash flow available from the lease to existing tenants.

Way Forward

The Company is trying to leased out the vacant space of around 106,000 sq ft and is negotiating with several prospective occupiers. The Fund is in advanced stage of negotiations with a prospective institutional buyer to sell Fund's interest.

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Private Equity



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