

Dear Investors

We are pleased to present the Fund Update for the quarter ended March 31st 2014 for IL&FS Milestone Core Plus Retail Fund LLC (Fund). Post the cancellation of the second capital call, the Board of the Fund has on 24 March 2014 resolved to release the investors of the Fund from the obligation to contribute their undrawn capital commitment and hence to cap the Fund at 30% (initial capital contribution) of the total capital commitment.

India's GDP expanded by 4.7% in the October–December 2013 period, compared to 4.8% in the preceding quarter, thereby lowering hopes of a strong economic recovery in 2013–14. Negative growth in the manufacturing sector (-1.9%), a slowdown in the key infrastructure sector (1.6% growth during January 2014), along with high inflation, kept the growth rate below expectations during the review period. In the absence of any pick-ups in the manufacturing sector, government estimates project the economy to grow at a little less than 5% in 2013–14.

In an attempt to curb inflation, the Reserve Bank of India (RBI), in its monetary policy review in January 2014, increased the key lending rates by 25 basis points. Although this is the third instance (since September 2013) of the RBI increasing key lending rates, it has clarified that if CPI inflation eases in the coming months, it does not foresee any further rate hikes in the near term. RBI has kept the rates unchanged in its first bi-monthly monetary policy review in early April 2014.

The Interim Budget 2014–15 presented in February 2014 made all the right moves for the requisite push in the sectors of infrastructure, manufacturing, and affordable housing. The focus on affordable housing is expected to accelerate growth of construction activity in tier II and III cities; while the focus on channelizing investments (mobilized through the public-private partnership mode) into infrastructure development should augur well for the infrastructure and real estate sectors, going forward. The realty sector's growth trajectory in the short to medium term will depend to a large extent on the emergence of a reform-oriented and forward looking political dispensation from the forthcoming electoral mandate.

The commercial real estate market in India witnessed sluggish activity and low level of new completions in the first quarter of 2014. Leading cities across the country continued to see heightened caution from corporate occupiers, resulting in subdued leasing activity during the first three months of the year. Occupier focus remained on improving existing space utilization and/or relocation to peripheral and secondary micro-markets, with the majority of deal closures taking place for small to medium-sized office spaces. The IT/ITeS, financial and services segments continued to drive demand for office space in India's leading cities.

Office space demand slowed down significantly in the first quarter, with around 6.3 million sq. ft. (6.6 million sq. ft. for Q1 CY13) of office space getting absorbed across the leading cities of the country. Transaction activity was dominated by the National Capital Region (NCR), Bangalore and Chennai —representing about 70% of the total space transacted during the quarter under review. SEZ developments in Gurgaon, Bangalore, Hyderabad and Pune also witnessed considerable traction during Q1 2014.

Existing vacancy levels and lower demand resulted in a decline in supply addition across most leading cities in the country. About 6.6 million sq. ft. of office space was completed in the first quarter of 2014, which is a decline of about 10% on a q-o-q basis.

Bangalore led project completions, followed by Delhi NCR and Mumbai—together contributing to more than 80% of the total supply completed in the present quarter.

Rental trends exhibited mixed sentiments across micro-markets in the quarter under review. Rental values in the Central Business Districts (CBDs) of Delhi, Bangalore, Chennai and Pune appreciated in the range of 2–5% due to increasing occupier interest in leading Grade A properties. In Mumbai, meanwhile, feeble demand levels continued to have a negative impact on rentals across markets, with values dipping by 2–5% in Nariman Point, Bandra–Kundra Complex (BKC), Worli and Prabhadevi—mainly due to weak occupier demand and existing vacancy pressures.

Occupiers are likely to remain focused on optimal space utilization and cost saving strategies. Going forward, demand is likely to be concentrated mostly in the peripheral micro-markets of leading cities, owing to abundant availability of cost effective quality space (Grade A) options. Firms in the IT/ITeS, financial and pharmaceutical sectors are expected to remain major contributors to overall office space absorption across major cities. However, significant supply expected to reach completion in the coming months is likely to push up vacancy levels, keeping rental values range bound. (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 MARCH 31, 2014

Total Fund Size	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 by Q4-2014.

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 & 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, 54,000 sq ft of space has been leased to tenants like Nair & Co and DHL at very attractive rentals (20%-25% above average rental). 247Park is trying to lease out the vacant space of 122,000 sq ft and negotiating with several prospective occupiers and aims to achieve above 95% occupancy. Also the installment for principal loan from SBI will increase from Rs 30 Crores (in FY14) to Rs 45 Crores in FY15

Way Forward

The Fund is in negotiations with a prospective institutional buyer to sell Fund's interest.

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