

Milestone Fund LLC

INDIA FOCUSED REAL ESTATE FUND



April-June, 2013

Dear Investors

Greetings!

Please find enclosed the Investors Update for Milestone Fund LLC ("the Fund") for the quarter ended June 30 2013. The Fund, with a total corpus of US\$ 75.30 million has been fully (100%) drawn down and has invested in 5 projects.

The Central Government recently cleared the Real Estate (Regulation & Development) bill. This bill in our view is a land mark development and will necessitate far reaching changes in business practice making the industry much more investor friendly, pro consumer and transparent. The key highlights of the same being – ensuring of creation of project escrows, project launch only post all approvals and sales to consumer only post all clearances in place. However real estate is a state subject and hence each state is likely to adopt a modified version of this bill with some changes. Overall the implementation of bill in full effect is likely over next few years.

The real estate sector especially the largest micro markets like Mumbai and Delhi have been showing visible sign of slow down with transactional volumes falling 35%-50% from its 2008 peak levels. The prices have however increased sharply over 2-3 years & shown resilience even in the wake of consumers expecting an "imminent" drop. Normally the prices would have dropped as expected due to flurry of launch of new projects, however the sale price did not drop much due to projects getting stuck in obtaining government clearances.

We expect sales to improve in next few months – interest rate cycle has started turning south aiding buyer demand. According to NHB report, credit to Real Estate sector already troughed out in the last quarter of CY2012, with the same showing a 14% y-o-y growth in CY2013. Investments have been also impacted due to USD/INR breaking the 60 barrier.

Inspite of this situation, the Fund has made few exit from the investments and is working towards distributing the proceeds to the investors. Details of exits made by the fund are covered in the newsletter. The Fund has also initiated the annual valuation exercise through Knight Frank (India) Pvt. Ltd. (International Property Consultant) for its investment portfolio. The same is under finalization and the final report will be shared separately with the Investors on completion.

We thank you for your continued support.

Regards,

Board of Directors



Fund Summary

Fund Summary as on June 30, 2013

Total Fund Size*	INR 3410.00* mn	US\$ 75.30 mn
Final Closing Date	30th March, 2009	
Term	6 years + 1 year + 1 year	
No. of Investments	5	
Investment Amount	INR 2904.50 mn	US\$ 66.00 mn
Capital Divested	INR 282.50 mn (8%)	US\$ 4.93 mn (6.5%)
Income Generated (Pre-tax)	INR 361.00 mn	US\$ 5.9 mn
Total Exit Amount	INR 643.50 mn (19%)	US\$ 10.83 mn (14.3%)

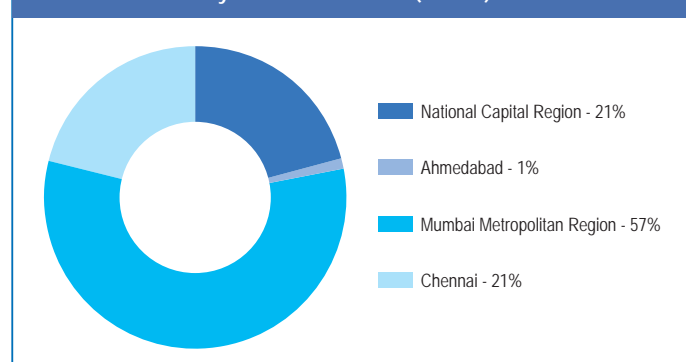
* Exchange rate 1 US\$ = INR 45.32 at the time of fund received

Investment Summary as on June 30, 2013

No.	Project	Partner	Location	Initial Investment Date	Fund's Investment (INR mn)	Fund's Investment (US\$ mn)*
1	ACORN Warehouses	Milestone Group	Dharuhera, National Capital Region	Aug-09	620.80	15.35
2	ACORN Warehouses	Rudrapratap Developers	Kheda, Ahmedabad, Gujarat	Mar-10	37.70	0.85
3	Swarajya	Neptune Group	Ambivali, Mumbai Metropolitan Region	Sep-10	1036.00	24.00
4	Shivaji Park	Richa Realtors	Dadar, Mumbai Metropolitan Region	Feb-11	500.00	11.30
5	Land Marvel	Land Marvel	Chennai	July-12	710.00	14.50
Total					2904.50	66.00

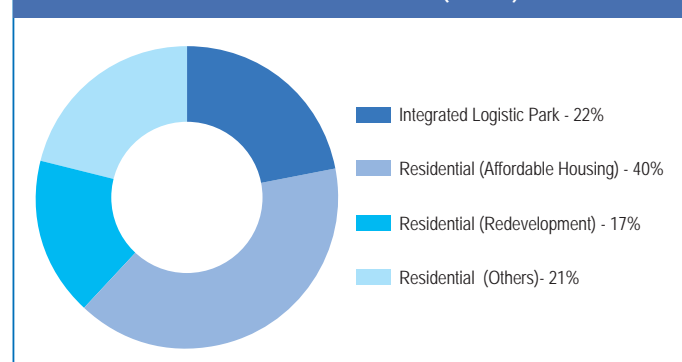
*Actual US\$ rate at the time of investment dates.

City-Wise Distribution (In US\$)



Shown above is the city-wise distribution (in US\$) of the various projects in the portfolio

Sector Wise Distribution (In US\$)



Shown above is the sector-wise distribution (in US\$) of the various projects in the portfolio

Fund Allocation

Portfolio Divestment Details upto June 30, 2013										
No.	Project	Location	Capital Invested		Capital Divested		Income Generated* (Pre-tax)		Total	
			INR Mn	USD Mn	INR Mn	USD Mn	INR Mn	USD Mn	INR Mn	USD Mn
1	ACORN Warehouses	Kheda, Ahmedabad, Gujarat	37.7	0.85	37.7	0.85	8.7	0.03	46.4	0.88
1	Neptune Swarajya	Ambivali, Mumbai Metropolitan Region	1036.0	24.0	244.8	4.08	352.3	5.87#	597.1	9.95
					282.50	4.93	361.00	5.90	643.53	10.83

* Income generated is pre tax, & will be adjusted for with-holding tax & expenses at fund / SPV level.

Assumed exchange rate 1US\$ = INR 60.00

ACORN Warehouses and Logistics Parks, NCR



Location	Dharuhera, NCR
Partner	Milestone Group
Asset Class	Integrated Logistic Park
Investment Amount	US\$ 15.35 million
Date of Initial Investment	August 2009
Project Stage	Construction and Sales/Leasing
Land Area	22.08 Acres
Total Leasable Area	750,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	In Progress
Leasing Status	In Progress

Transaction Overview and Investment Rationale

The Fund has invested in a warehousing facility in Dharuhera, in the National Capital Region.

The economic boom in the country and increase in consumption in particular has led to companies focusing on improving back end infrastructure of material handling and hence has resulted into a higher demand for warehousing facilities.

Dharuhera is slowly shifting from an agrarian economy to an industrial one due to its close proximity to New Delhi and Indra Gandhi International Airport and hence there is a high demand for warehouses in the area.

Project Plan

The project plan is to build 750,000 sq ft of brand new, flexible, modern, state-of-the-art, industry neutral, general purpose warehousing units in Dharuhera. The units are proposed to be developed with full pre-engineered super structures which will be part of an existing big warehousing complex. Upon completion the property is proposed to be occupied by reputed domestic & multinational 3rd Party Logistic service providers (3PL), FMCG, Pharma, Electronics and light engineering companies.

Current Status and Recent Developments

Till date 3 PEB Blocks (W5, W6 and W7) totaling to 360,000 sq ft of Built up Area have been constructed. Additionally, 3 RCC Blocks (B, C and D) totaling to 156,000 sq ft of Built up Area are being constructed. Out of these, Blocks B and C have been completed up to the warm shell condition and are ready for occupation. Block D is 80% complete, but further work on all RCC structures is stopped due to lack of response on RCC warehouses already built. Regular maintenance of PEB and infrastructure is being done.

Till date, around 393,972 sq ft has been leased to nine different tenants. Around 55,800 sq ft of PEB structure is vacant with an active pipeline for leasing. Some of the potential tenants are Brattle Food (extension), Kuhne-Nagel, Capsugel, OCI Express, Nandan Petrochem.

Way Forward and Exit Strategy

The Fund is exploring the option of selling the entire project on an "As Is Where Is" basis. Several potential buyers have shown interest and the Fund is in discussion with them.

ACORN Warehouses and Logistics Parks, Gujarat



Location	Kheda, Ahmedabad, Gujarat
Partner	Rudrapratap Developers
Asset Class	Integrated Logistic Park
Investment Amount	US\$ 0.85 million
Date of Initial Investment	March 2010
Project Stage	Construction and Sales/Leasing
Land Area	41.27 Acres
Total Leasable Area	1,100,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	In Progress
Leasing Status	In Progress

Transaction Overview and Investment Rationale

The Fund has invested in a warehousing facility in Kheda, on the outskirts of Ahmedabad in Gujarat.

Ahmedabad serves as a regional industrial hub, and is an important location in terms of access to markets and manufacturing units due to it being located on the Golden Quadrilateral, a network of highways connecting some of India's major cities.

Project Plan

Rudrapratap Developers (Ahmedabad) Pvt. Ltd., proposes to develop a land parcel of approx. 41.27 Acres in Kheda which lies on the outskirts of Ahmedabad for mixed-use development consisting of various warehousing units cum industrial shells and providing for allied services for logistic business on Joint Development Basis.

Current Status and Recent Developments

The Fund has exited from this project.



Location	Ambivali, Mumbai
Partner	Neptune Group
Asset Class	Residential (Affordable Housing)
Investment Amount	US\$ 24.00 million
Date of Initial Investment	September 2010
Project Stage	Construction and Sales
Land Area	115 Acres
Total Saleable Area	5,700,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	In Progress
Sales Status	Phase I – 94% sold Phase II – 98% sold Phase IV B – 40% sold

Transaction Overview and Investment Rationale

The Fund has invested in an affordable housing project located in a town called Ambivali near Kalyan in the Mumbai Metropolitan Region. The town is well connected and accessible by suburban railways as well as roadways from Mumbai. The presence of industrial areas in the vicinity provides a natural catchment for industrial workers. Additionally, there is a huge demand for affordable housing in Mumbai.

The project is being developed by Neptune Group, a Mumbai based developer, experienced in the development of residential projects, office complexes, shopping malls and IT Parks.

Project Plan

The proposed development is a Greenfield development aimed at providing affordable housing to the Lower Income Group segment of the Mumbai Metropolitan Region. The project is spread across 115 acres and once completed will consist a total of 10,000 units spread across 6 Phases and 3 Sectors.

Current Status and Recent Developments

Sector 1 - 22 buildings are under construction, out of which 9 building are nearing completion. 94.6% of these units have been sold.

Sector 2 - Construction is ongoing in 27 out of 44 buildings with most buildings RCC upto 4th floor. Total number of planned units in Sector 2 has increased from 2522 to 2693. 98% of these units have been sold. Further sales stopped for Pahse 1 & 2 to allow sale at higher rates later. Sector 4B having 3 buildings; is launched at a premium rate of Rs. 3800/- psf and 97 bookings have been received. Further, NA of additional 6 acres is received. Additional 13 acres expected by August 2013

Way Forward and Exit Strategy

The Fund has partially exited from the project and is in discussion with the developer to provide early exit for the balance investment. Due to the on-going scheme to tax deposits in Cyprus to raise money for bailouts, the coupon and redemption proceeds are parked in Indian Bank account. Upon receiving certainty of withdrawal of taxation of deposits in Cyprus, we will remit the funds to Investors. We are simultaneously contemplating on an alternate mechanism to make payment to the Investors.

Shivaji Park Project, Mumbai



Location	Shivaji Park, Mumbai
Partner	Richa Realtors
Asset Class	Residential (Re-development)
Investment Amount	US\$ 11.30 million
Date of Initial Investment	February 2011
Project Stage	Approvals
Land Area	0.50 Acres
Total Saleable Area	180,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	Not commenced
Sales Status	Not launched

Transaction Overview and Investment Rationale

The Fund has invested in a redevelopment project on Gokhale Road, Shivaji Park, Dadar in the heart of Mumbai. The area is centrally located and connects South Mumbai to the suburbs. Dadar railway station, which is the connecting point for the Western and Central Railway line in Mumbai lies in close proximity to the property. Hence it is easily accessible from important business districts like Bandra Kurla Complex, Lower Parel and Dadar. Due to unavailability of land, demand is high and supply is mainly through redevelopment.

The redevelopment would be done by Richa Realtors, a Mumbai based developer with over 15 years of experience.

Project Plan

The project plan is to develop new houses for the existing tenants at the developers cost. In lieu of the same, the developer is entitled for constructing and selling additional residential space on the project land. Richa has appointed M/s Callison LLC, a California based architecture and design firm, as the Consulting Architects for the project.

Current Status and Recent Developments

1. Environment clearance from MOEF received.
2. The High Rise Committee of the Municipal Corporation has given their approval for the project.
3. Commencement certificate is expected in next 1-2 months.
4. All tenants have been relocated to alternate locations.
5. Demolition of existing building has commenced but is slow due to onset of monsoon.

Land Marvel, Chennai



Location	Land Marvel (Thaiyur and Kotivakkam), Chennai
Asset Class	Residential
Investment Amount	US\$ 14.50 million
Date of Initial Investment	July 2012
Project Stage	Planning in progress
Land Area	10 Acres (approximately)
Total Saleable Area	14,32,000 sq ft (approximately)
Land Acquisition	Completed
Construction Status	Preparatory work has started
Sales Status	Not launched

Transaction Overview and Investment Rationale

The Fund has invested in two residential projects in Chennai in Thaiyur and Kotivakkam. The projects are located off Rajiv Gandhi Salai, formerly known as Old Mahabalipuram Road (OMR).

Being an established IT corridor with a large catchment population, the Rajiv Gandhi Salai region has gained immense popularity and has nearly 43 per cent of the city's upcoming residential supply. This micro-market caters to the lower middle, middle and upper middle-income segments.

Project Plan

At Thaiyur, the project will be developed as high rise residential building with 11 to 13 floors with 2 and 3 BHK units which will cater mainly to the mid-income group. At Kotivakkam, the project will be a high rise premium residential development consisting 2,3, and 4 BHK units with modern amenities.

Current Status

Design and Planning work is in progress.

Compound wall construction & other preparatory work has commenced.

For Thaiyur basic application made to DTCP for approvals.

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