

Milestone Fund LLC

INDIA FOCUSED REAL ESTATE FUND

January - March, 2014



Dear Investors,

Please find enclosed the investment update for Milestone Fund LLC (the "Fund") for the quarter ended 31 March 2014.

Reserve Bank of India (RBI) has recently announced that foreign investors are free to adopt valuation method as per international market practice instead of the earlier RBI defined criteria for exits. Over the last few months, India has received about US\$ 5 billion of foreign inflows and the current account deficit has reduced significantly by about US\$ 20 billion.

RBI held the interest rates unchanged and continues to focus on containing inflation. We are likely to see reduction in the interest rates if the consumer inflation stays low – the key risk being monsoon. As a result, real estate may get a boost in demand once rates drop. On the flip side, any real estate policy change including regulation for REITs is now expected to happen only after the general elections. India is going to have elections for its Loksabha in April, May and many new policy initiatives, reforms are expected from the new government.

Capital values continue to remain high across major markets resulting in 10% drop in absorption Q-o-Q while new launches grew at about 4% during the same period. In order to improve sales, developers have started to offer discounts like free car parking, absorbing stamp duty and registration charges etc, which lead to overall discount of about 10% – 15% off on the capital values.

We continue to strengthen our team and Mr Apurva Gupta with 15 years experience in sales, marketing and leasing has joined us.

During this quarter, the Fund has received interest income of Rs 4.3 crores from Land Marvel and Neptune, Swaraja projects. We are exploring options to exit ACORN Warehouses, NCR by sale on 'as is where is' basis.

We continue to focus on managing the portfolio and plan for exits during the fund life.

We thank you for your continued support.

Regards,

Board of Directors



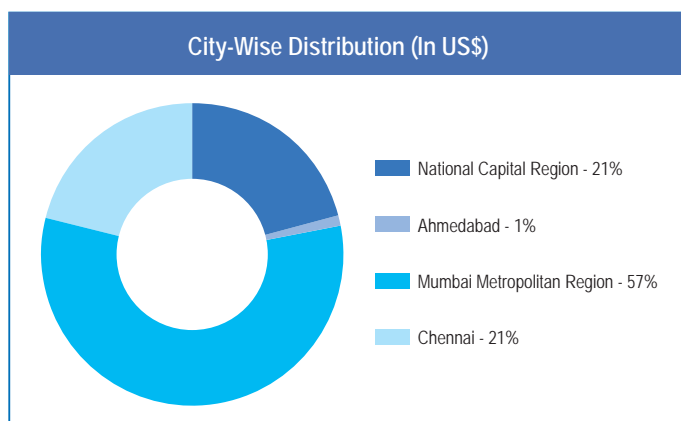
Fund Summary

Fund Summary as on March 31, 2014		
Total Fund Size*	INR 3410.0* mn	US\$ 75.3 mn
Final Closing Date	30th March, 2009	
Term	6 years + 1 year + 1 year	
No. of Investments	5	
Investment Amount	INR 2904.5 mn	US\$ 66.0 mn
Capital Divested	INR 282.5 mn (8.3%)	US\$ 4.9 mn (6.6%)
Income Generated (Pre-tax)	INR 549.6 mn	US\$ 9.1 mn
Total Exit Amount	INR 832.1 mn (24.4%)	US\$ 14.1 mn (18.7%)

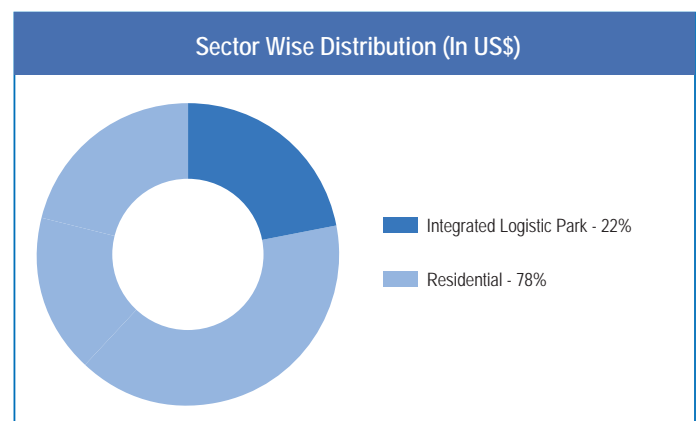
* Exchange rate 1 US\$ = INR 45.32 at the time of fund received

Investment Summary as on March 31, 2014						
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.



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



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

Fund Allocation

Portfolio Divestment Details upto March 31, 2014										
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	0.9	37.7	0.9	8.7	0.0	46.4	0.9
2	Neptune Swarajya	Ambivali, Mumbai Metropolitan Region	1,036.0	24.0	244.8	4.1	414.9	7.0	659.7	11.1
3	Shivaji Park	Dadar, Mumbai Metropolitan Region	500.0	11.3	-	-	81.0	1.3	81.0	1.3
4	ACORN Warehouses	Dharuhera, National Capital Region	620.8	15.4	-	-	-	-	-	-
5	Land Marvel	Chennai	710.0	14.5	-	-	45.1	0.7	45.1	0.7
			2,904.5	66.0	282.5	5.0	549.6	9.1	832.1	14.1

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

Exchange rate 1USD = Rs. 61.897 as on December 31, 2013

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	Under Development
Land Area	66 Acres
Total Leasable Area	1.75 mn sq ft
Approval Status	Layout & Buildings plan approved for 1.5 mn sq ft B.U. area equivalent to 1.7 mn sq ft leasable area
Construction Status	Constructed 480,000 sft BUA
Sale/ 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 growth in the country and increased industrialisation has led to increased demand for warehousing facilities.

Dharuhera is evolving from an agrarian economy to an industrial one due to its close proximity to the industrial facilities in the region and Indira Gandhi International Airport leading to increased demand for warehouses in the region.

Project Plan

The overall project plan was to jointly develop 1.75 mn sq ft of state-of-the-art, general purpose warehousing units in Dharuhera. The units are proposed to be developed with full pre-engineered super structures (PEB) which will be part of an existing warehousing complex.

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, amounting to 432,000 sq ft leasable area. PEB Blocks W5, W6 and W7 are 100% leased out at an average rental of Rs 15 per sq ft. Additionally, 3 RCC Blocks (B, C and D) totaling to 121,000 sq ft of Built up Area are under construction. Out of these, Blocks B and C are complete and ready for occupation. Part of Ground Floor of C Block is leased out and complete Ground Floor of B Block is leased out totaling to 17,640 sq.ft.

Way Forward and Exit Strategy

The Fund is exploring the option of selling the entire project on an "As Is Where Is" basis. Due to current slowdown the progress on sale efforts have met with limited success.

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 Status	Exited
Land Area	41.27 Acres

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	Under Development
Land Area	115 Acres
Total Saleable Area	5.7 mn sq ft
Approval Status	Development approvals received for initial 25.7 acres
Construction Status	In Progress
Sales Status	Phase I – 95% sold Phase II – 94% sold Phase IV B – 63% 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 aims 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. 94% of units in this sector have been sold. Sector 4B having 3 buildings, is launched at a rate of Rs. 3800/- psf and 184 bookings have been received.

Further, 10.5 acres of land has been approved as Non-Agriculture (N.A.) and conversion of additional 23.5 acres of land to N.A. is expected soon. This will result in further development potential of about 1.5 million sq.ft.

Company is planning to launch about 250,000 lac sft in the coming months.

Way Forward and Exit Strategy

The Fund has partially divested from this project at gross IRR of 23%. Developer is in discussions with other private equity firms for investment in the project to provide us partial exit.

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	1.8 mn sq ft
Approval Status	IOD for rehab building received
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 project. It is easily accessible from other important business districts like Bandra Kurla Complex and Lower Parel. Due to unavailability of land in the micro market, demand is high and supply is mainly through redevelopment of existing buildings.

The redevelopment is being 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. The existing 8 buildings have been demolished and the plot is now fully vacant.
2. Commencement certificate (CC) for rehab and sale component is awaited & project construction will start on receipt of CC and is expected by mid 2014. Due to a recent ruling by the Supreme Court of India, the project plan needs to be reconfigured to provide for more open spaces.
3. Developer is expecting to open sales at Rs 25,000 per sq.ft (USD 400 psf) with additional charges for car parking, floor rise and other amenities.

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	Development yet to commence
Land Area	Thaiyur - 10 Acres Kotivakkam - 0.9 Acres (approximately)
Total Saleable Area	1.4 mn sq ft
Construction Status	Yet to commence
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 mainly to middle income segments.

Project Plan

At Thaiyur, the project is proposed to 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. Given the current demand supply situation in the micro market, fund and developer are jointly evaluating a plotted layout or a villa development to lower the market and execution risk.

At Kotivakkam, the project is planned as a high rise premium residential development consisting 2,3 and 4 BHK units with modern amenities.

Current Status

1. We have received some initial JDA proposals from reputed developers for development of Thaiyur project.
2. We have received monies partially forwards interest and expect to receive full inyerest payment by end of May 2014

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Contact: Cedric Beguinot

International Financial Services Limited

IFS Court, TwentyEight, Cybercity, Ebene, Mauritius

Tel: (230) 467 3000 DID: (230) 467 4772 Fax: (230) 467 4000