

Milestone Fund LLC

INDIA FOCUSED REAL ESTATE FUND



Newsletter for Quarter ended September 2015

AN ISO 9001:2008 CERTIFIED COMPANY

Dear Investors,

Please find enclosed the investment update for Milestone Fund LLC (The Fund) for the quarter ended 30 September 2015.

Reserve Bank of India (RBI) has cut the repo rate by 50 bps recently taking the total rate cut to 125 bps since January 2015. This is expected to improve the investment cycle and with Government's pro-business focus, and control in inflation, it is expected to lead to an economic revival.

Residential real estate demand has remained sluggish over last 18–24 months and continues to remain subdued as reflected in the launch of new residential units falling by 41.3% from 59,136 units in Q1-2015 to 34,700 units in Q2-2015 (*Source: Propequity*). The silver lining is that absorption of commercial office space has increased 11% for 9M 2015 over 9M 2014 and typically residential demand improves with a lag to recovery in commercial office demand. This coupled with stable prices and lowering interest rates are likely to trigger an uptick in the end user demand in coming quarters.

The Fund is working towards exit from the pending investment. In Acorn Dharuhera, the due diligence by one of the potential buyer is at an advanced stage. In Neptune, pursuant to the consent terms with the developer, 80% of the outstanding dues is expected to be received on or before January 2016.

I thank you all for your continued support.

A handwritten signature in black ink, appearing to read "Nitin Goel".

Nitin Goel

Managing Partner – Real Estate Investments

Milestone Fund LLC

Newsletter for Quarter ended September 2015

FUND SUMMARY AS ON SEPTEMBER 30, 2015

Funds Received*	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\$ 66.1 mn
Capital Divested	INR 282.5 mn (8.3%)	US\$ 5.0 mn (6.6%)
Income Distributed (Pre-tax)	INR 563.6 mn	US\$ 9.4 mn
Total Exit Amount	INR 846.1 mn (24.8%)	US\$ 14.2 mn (19.1%)

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

PORTFOLIO DIVESTMENT DETAILS UP TO SEPTEMBER 30, 2015

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	0.2	46.4	0.9
2	Neptune Swaraja	Ambivali, Mumbai Metropolitan Region	1,036.0	24.0	244.8	4.1	421.1	7.0	665.9	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	-	-	52.8	0.9	52.8	0.9
			2,904.5	66.1	282.5	5.0	563.6	9.4	846.1	14.2

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

ACORN Warehouses and Logistics Parks, NCR



Location	Dharuhera, NCR
Partner	Milestone Group
Investment Amount	US\$ 15.4 million
Date of Initial Investment	June 2008
Land Area	66 Acres

Transaction Overview

The Fund has invested in a warehousing facility in Dharuhera, in the National Capital Region. The overall project plan was to develop 1.65 mn sq ft of warehousing units in Dharuhera. Three PEB blocks of 432,000 sq ft leasable area are ready of

which 340,822 sq ft is leased out at an average rental of Rs 15.6 per sq ft. Efforts are on to lease the vacant area in next few months. RCC Blocks are amounting to 106,000 sq ft of which 25,642 sq ft is leased.

Way Forward and Exit Strategy

The Fund has signed MOU for the sale of the entire Project on an 'as is' basis. The due diligence process is in advanced stages and we expect to consummate the transaction by Q4 2015 /Q1 2016.

Swarajya, Mumbai



Location	Ambivali, Mumbai
Partner	Neptune Group
Investment Amount	US\$ 24.0 million
Date of Initial Investment	September 2010
Land Area	115 Acres

Transaction Overview

The Fund has, by way of listed Non Convertible Debentures (NCD), invested in an affordable housing project located in Ambivali near Kalyan in the Mumbai Metropolitan Region. The project is being developed by Neptune Group, and is spread across 115 acres spread across 6 Phases and 3 Sectors.

In March 2013, Neptune made redemption of ~26% of outstanding debentures along with the redemption premium. Such redemption was made using the construction finance availed from Central Bank of India against a 26 acre land parcel.

Way Forward and Exit Strategy

The Fund is expected to realize about INR 1,160 mn to be paid by January 2016 at an IRR of 20%, pursuant to the consent term filed by the Developer partner. Balance outstanding is to be paid in six equal quarterly installments till July 2017 as per the revised terms.

Shivaji Park Project, Mumbai



Location	Shivaji Park, Mumbai
Partner	Richa Realtors
Investment Amount	US\$ 11.3 million
Date of Initial Investment	February 2011
Total Saleable Area	130,000 sq ft (approximately)

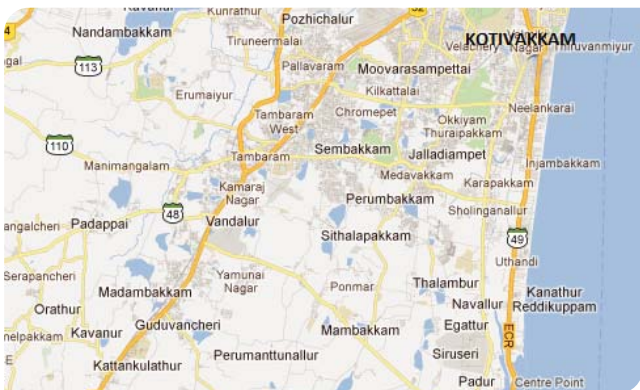
Transaction Overview

The Fund has invested in a redevelopment project at Shivaji Park, Dadar in the heart of Mumbai. The redevelopment is being done by Richa Realtors. The project plan is to develop new houses for the tenants and in lieu of which developer will get free sale area of 130,000 square feet. The existing eight buildings have been demolished and the plot is fully vacant.

Way Forward and Exit Strategy

- The project has received IOD and NOC from MMRDA for metro.
- Commencement certificate is awaited for starting construction at site.
 - Shore piling work on the site has already commenced.
- The Fund is actively engaged with multiple regional/national players for a strategic tie up to develop the project and provide partial exit to the Fund.
- Alongside, the fund is also in discussions for arranging refinancing by other NBFC / PE funds

Land Marvel, Chennai



Location	Land Marvel (Thaiyur and Kottivakkam), Chennai
Partner	Land Marvel
Investment Amount	US\$ 14.5 million
Date of Initial Investment	July 2012
Total Saleable Area	14,30,000 sq ft (approximately)

Transaction Overview

The Fund has invested in two residential projects at Kottivakkam and Thaiyur through subscription of debentures of the SPV developing these projects. At Thaiyur, the project will cater mainly to the mid-income group. At Kottivakkam, the project is planned as a high-rise premium residential development consisting 2/3/4 BHK units with modern amenities.

Way Forward and Exit Strategy

- The Fund is actively working on following strategies to achieve exit:
 - Exploring Joint Development with a reputed developer which would ensure partial/complete exit
 - Outright sale of project lands on a as is where is basis



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