

Milestone Fund LLC

INDIA FOCUSSED REAL ESTATE FUND

October- December, 2013



Dear Investors,

Wish you a Happy and Prosperous New Year.

Please find enclosed the investment update for Milestone Fund LLC (the "Fund") for the quarter ended December 31, 2013.

Real growth in Indian economy has picked-up marginally, driven largely by agricultural activity and supported by an improvement in net exports. However, the weakness in industrial activity persists and subdued domestic consumption demand suggests continuing headwinds to growth. In its latest mid-quarter policy, RBI has indicated that the current inflation is too high and increase in inflation has been attributed mainly to food prices. While RBI is on wait and watch mode and has maintained status quo on key policy rates, it has indicated that its future action would depend on the food inflation and global macro environment.

The Indian tax authorities have notified Cyprus as jurisdiction with whom there is lack of effective exchange of information. Key implications being, inter-alia, any payment to Cyprus entity would be liable to withholding tax at 30 per cent or a higher rate as prescribed in the Act, all transactions being subject transfer pricing. Cyprus finance ministry officials recently met with the Indian Government authorities to discuss and resolve the issue, which is widely expected to be resolved soon, however, any delay or non-resolution of the above issue could impact the fund returns adversely.

After extensive interactions, SEBI has green lighted REIT's in India by releasing a second draft of the REIT regulations for public feedback. It is expected to be positive outcome for the developers who will be able to bring Grade A commercial properties to investors interested in rental income. A few critical issues on taxation and property valuation need to be addressed before REITs become a reality.

Investments in the real estate sector grew by 25% over last year during the same period to USD 750 million. Mumbai and NCR real estate market witnessed slow sales on account of high prices impacting affordability. Bangalore and Chennai real estate markets continue to be stable due to affordable sale price targeted at mid segment projects. Both markets are expected to witness new project launches and hence the inventories in these two cities is expected to remain steady. 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 December 31, 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 (8.3%)	US\$ 4.98 mn (6.6%)
Income Generated (Pre-tax)	INR 491.05 mn	US\$ 8.08 mn
Total Exit Amount	INR 773.55 mn (22.7%)	US\$ 13.06 mn (17.3%)

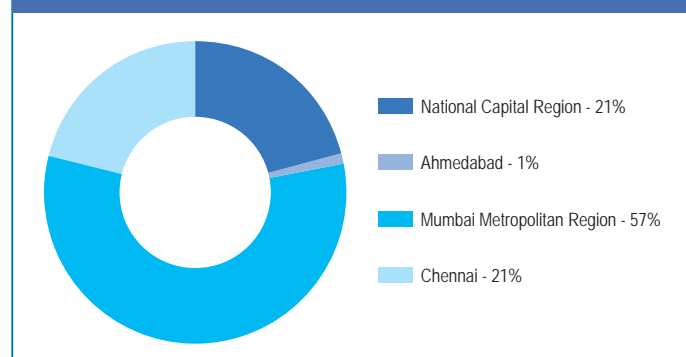
* Exchange rate 1 US\$ = INR 45.32 at the time of fund received

Investment Summary as on December 31, 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

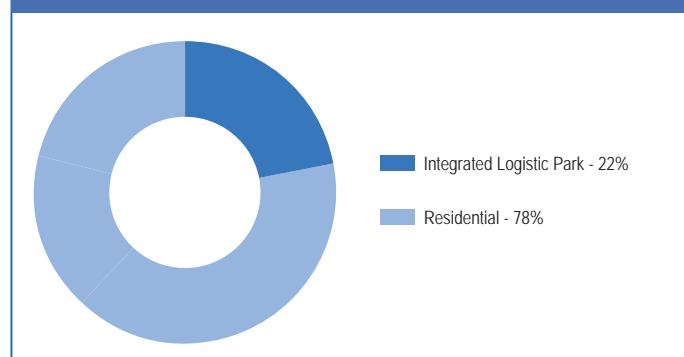
*Actual US\$ rate at the time of investment dates.

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 December 31, 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	0.9	37.7	0.85	8.70	0.03	46.40	0.88
2	Neptune Swarajya	Ambivali, Mumbai Metropolitan Region	1,036.0	24.0	244.8	4.13	373.02	6.28	617.82	10.40
3	Shivaji Park	Dadar, Mumbai Metropolitan Region	500.0	11.3	-	-	80.95	1.32	80.95	1.32
4	ACORN Warehouses	Dharuhera, National Capital Region	620.8	15.4	-	-	-	-	-	-
5	Land Marvel	Chennai	710.0	14.5	-	-	28.38	0.46	28.38	0.46
			2,904.5	66.0	282.5	4.98	491.05	8.08	773.55	13.06

* 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	Construction and Sales/Leasing
Land Area	66 Acres
Total Leasable Area	17,50,000 sq ft (approximately)
Approval Status	Layout & Buildings plan approved for 15,00,128 sq ft B.U. area equivalent to 17,04,000 sq ft leasable area
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 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 New Delhi and Indira Gandhi International Airport and hence demand for warehouses is expected to increase in the region.

Project Plan

The overall project plan was to jointly develop 1.75 mn 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 (PEB) which will be part of an existing big 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. 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 have been completed up to the warm shell condition and are ready for occupation.

Couple of tenant lock-in are coming to an end, and we are in discussions for renewal / extension of lease. There is downward pressure on rentals in the micro-market.

Rentals are now averaging Rs. 14.9 per sq ft per month on the leased area.

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	5,700,000 sq ft (approximately)
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, 6 acres of land has been approved as Non-Agricultureed (N.A.) and conversion of additional 28.5 acres of land to N.A. is expected soon.

Way Forward and Exit Strategy

Full exit expected by mid 2014 and developer is in discussion for refinancing

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	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 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 of existing buildings.

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

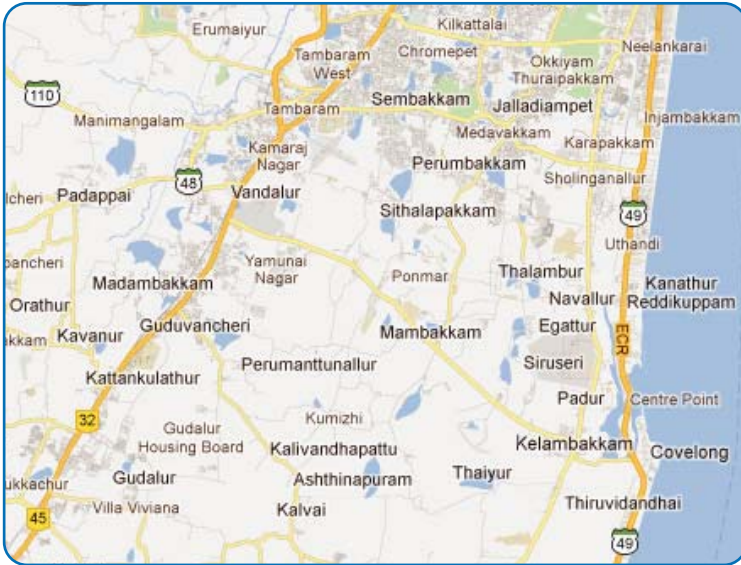
Project Plan

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. Of the existing 8 buildings to be demolished, demolition of 6 buildings is complete and the remaining are under demolition.
2. Commencement certificate for rehab and sale component is awaited & project construction will start on receipt of CC and is expected by mid 2014
3. Developer in discussion for arranging bank loan for construction finance.

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 (approximately) Kotivakkam - 0.9 Acres (approximately)
Total Saleable Area	14,32,000 sq ft (approximately)
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 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

1. Design and Planning work is in progress; compound wall & site levelling work is in progress.
2. DTCPC approval in process for Thaiyur project.
3. We have received some initial JDA proposals also from reputed developers to partner for development.
4. There is delay in interest servicing and developer is in the process of paying the total outstanding interest due.

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