

Milestone Fund LLC

INDIA FOCUSED REAL ESTATE FUND



Newsletter for Quarter ended December 2014

AN ISO 9001:2008 CERTIFIED COMPANY

Dear Investors,

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

Reserve Bank of India has cut rate by 25 bps since the consumer inflation has reduced to a historic low of 4.4% and wholesale inflation is down to zero. GDP growth is expected to increase to 6% in FY 2015 from 5% previously. Further rate cuts are expected in FY15, which will help soften mortgage rates and interest costs for developers. Increase in confidence, boosted by reforms announced by the Government is likely to provide impetus to housing demand as well.

Easing of FDI restrictions for the construction industry, 100 new smart cities planned and change in land acquisition norms will attract capital for the development of real estate. Though residential absorption (area sold) in key cities of India fell 21%YoY in 2QFY15 (Prop Equity data), the pace of demand decline has slowed over the past four consecutive quarters. Going forward, we believe the demand will stabilize in major cities owing to creation of new job opportunities and corporate expansion plans.

The team is focused on part exiting Neptune Swarjya project and is in talks with financiers to exit Richa Shivaji Park, post receipt of approvals. Fund expects to sign MOU for exit from Acorn, Bhiwandi during this quarter. The team continues to focus on managing the portfolio and plans for exits during the fund life.

I thank you all for your continued support.

A handwritten signature in black ink, appearing to read "Alok Aggarwal", with a horizontal line underneath it.

Alok Aggarwal

Managing Partner & CEO – Real Estate

Milestone Fund LLC

Newsletter for Quarter ended December 2014

FUND SUMMARY AS ON DECEMBER 31, 2014

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\$ 66.0 mn
Capital Divested	INR 282.5 mn (8.3%)	US\$ 5.0 mn (6.6%)
Income Generated (Pre-tax)	INR 563.6 mn	US\$ 9.2 mn
Total Exit Amount	INR 848.4 mn (24.8%)	US\$ 14.2 mn (18.7%)

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

PORTFOLIO DIVESTMENT DETAILS UP TO DECEMBER 31, 2014

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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	-	46.4	0.9
2	Neptune Swarajya	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	55.1	0.9
			2,904.5	66.1	282.5	5.0	563.6	9.2	848.4	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	66.00 Acres

Transaction Overview

The Fund has invested in a warehousing facility in Dharuhera, in the National Capital Region. The overall project plan is to jointly 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 292,781 sq ft is leased out at an average rental of Rs 15 per sq ft.

Efforts are on to lease the vacant area through brokers in next few months at a market rate of approx Rs. 13 per Sq. Ft.

RCC Blocks totaling to 106,000 sq ft of leasable area is complete and the fund is in discussions for leasing this area.

Way Forward and Exit Strategy

Fund is in discussions with prospective buyers for sale of PEB and RCC Warehouses and the termsheet is expected to close in next 30-45 days. Fund is also exploring options to sell the balance developed land in order to fully exit this project.

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

Way Forward and Exit Strategy

The Fund has partially divested from this project at gross IRR of 23%. Redemption of NCD was due in May 2014 and developer has not yet redeemed the investment amount, hence, the fund has initiated legal proceedings against the developer partner for recovery of balance dues.

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	140,000 sq ft (approximately)

Transaction Overview

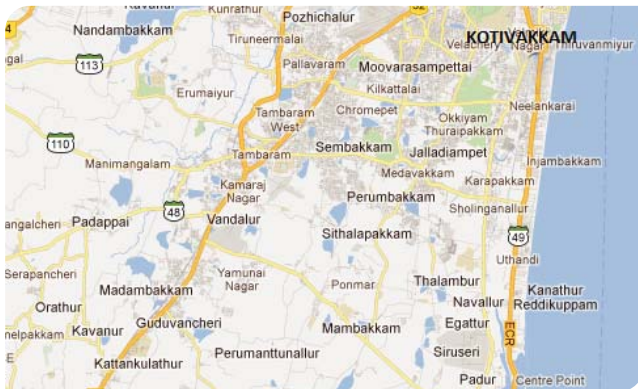
The Fund has invested in a redevelopment project at Shivaji Park, Dadar in the heart of Mumbai. The redevelopment is being done by Richa Realtors. The project plan is to develop new houses for the tenants and in lieu of which developer will get free sale area of 1,40,000 square feet. The existing 8 buildings

have been demolished and the plot is fully vacant.

Way Forward and Exit Strategy

There has been a delay in obtaining revised approval for commencement of construction. Fund is working with developer to realize payment of coupon and exit from the project.

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 project has been stalled due to delay in approvals. The fund has also initiated legal action against the Developer for payment of interest which is overdue. In parallel, we are also actively sourcing JDA and outright proposals for both the projects from established developers to expedite cash flows and exit from this investment.

For Queries Contact: info@milestonecapital.in OR Call CAMS : +91 44 2831 7190/92, 3040 7190/92

Write to: Computer Age Management Services Pvt. Ltd. (CAMS)

Unit : Milestone. No.178/10, Kodambakkam High Road, Opp. Hotel Palmgrove, Nungambakkam, Chennai - 600 034



MILESTONE CAPITAL ADVISORS LIMITED

602, Hallmark Business Plaza, Sant Dhyaneswar Marg, Opp. Guru Nanak Hospital
Bandra (East), Mumbai - 400051. India.

email: info@milestonecapital.in, website: www.milestonecapital.in

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