

Milestone Fund LLC

INDIA FOCUSED REAL ESTATE FUND



Newsletter for the quarter October – December 2016

AN ISO 9001:2008 CERTIFIED COMPANY

Dear Investors,

Please find enclosed the investment update for Milestone Fund LLC (The Fund) for the quarter ended December 2016

2016 was a distinguishing year for real estate as various policies with far reaching implications such as Real Estate Regulatory Agency (RERA), further clarity on Real Estate Investment Trust (REIT) regulations and the much debated demonetization were introduced. Over the mid to long term, these measures will bring a fundamental change in how business is conducted in this sector, which is a key positive for investors and consumers.

In the immediate aftermath of demonetization, a drop in residential sales across cities has been witnessed. Developers have also reduced the pace of new launches as the primary focus is on completion and delivery of projects on hand.

However, with the latest demand from end users remaining intact and with developers implementing best practices, sales are expected to pick-up over the medium term. Commercial demand has remained stable indicating good prospects for job creation translating into higher demand for residential units. On the interest rate front, it is widely expected that RBI will reduce the rates over the next 3 – 6 months which shall further favour home buyers.

The Fund is expected to partially exit from the Land Marvel investment in Q1 2017. In relation to Richa Shivaji Park, the Fund through its investment advisor is completing the requisite regulatory processes to provide exit to the investors.

A handwritten signature in blue ink that reads "Nilesh Karkhanis".

Nilesh Karkhanis
Partner – Real Estate Investments

Milestone Fund LLC

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FUND SUMMARY AS ON DECEMBER 31, 2016

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 1435.0 mn (42.1%)	US\$ 22.4 mn (29.7%)
Income Distributed (Pre-tax)	INR 1265.6 mn	US\$ 19.8 mn
Total Exit Amount	INR 2701.2 mn (79.2%)	US\$ 42.0 mn (56%)

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

PORTFOLIO DIVESTMENT DETAILS UP TO DECEMBER 31, 2016

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	Shivaji Park	Dadar, Mumbai Metropolitan Region	500.0	11.3	-	-	81.0	1.3	81.0	1.3
2	Land Marvel	Chennai	710.0	14.5	-	-	52.8	0.9	52.8	0.9
FULLY EXITED INVESTMENTS										
3	ACORN Warehouses	Kheda, Ahmedabad, Gujarat	37.7	0.9	37.7	0.9	8.7	0.2	46.4	0.9
4	Neptune Swaraja	Ambivali, Mumbai Metropolitan Region	1,036.0	24.0	1,036.0	15.9	1,123.0	17.4	2,159.0	33.3
5	ACORN Warehouses	Dharuhera, National Capital Region	620.8	15.4	362.0	5.6	-	-	362.0	5.6
			2,904.5	66.1	1,435.0	22.4	1,265.5	19.8	2,701.2	42.0

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

Shivaji Park Project, Mumbai

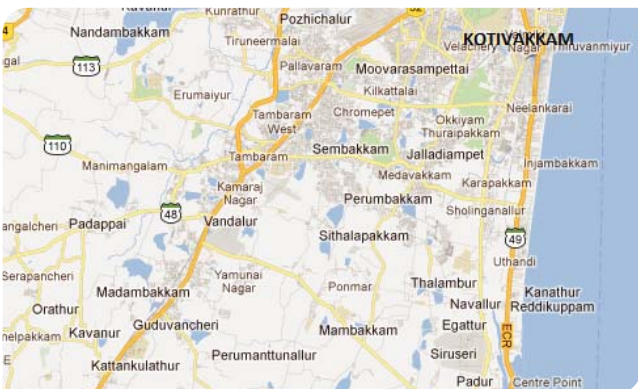


had suffered certain delays on account of change in statutory policies and these challenges have now been overcome. The existing eight buildings have been demolished and the plot is fully vacant and foundation work has commenced at the site.

Way Forward and Exit Strategy

The Developer is in advanced stages of refinancing our investment. The Developer and the Fund is the process of completing procedural and regulatory formalities and shall achieve exit post achieving the same. We expect to completely exit this investment by Mid February 2017.

Land Marvel, Chennai



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 shall achieve partial exit from this investment by Q1 2017. The Fund through its investment advisor is working closely with the developer to achieve full exit.

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. However the project

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



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