

Description

Reconstruction Capital II ("RC2" or the "Fund") is a closed-ended, absolute return driven investment fund, incorporated in the Cayman Islands. The fund invests in Private Equity & Listed Securities in South-East Europe. RC2 was admitted to the AIM market of the London Stock Exchange in December 2005 raising €24m initially, with two follow-on offerings in May-06 and Dec-07 raising a further €40m and €71m net of expenses respectively. New Europe Capital Ltd (London) is the investment manager to RC2. New Europe Capital SRL (Bucharest) and New Europe Capital DOO (Belgrade) are the investment advisers to RC2.



Statistics

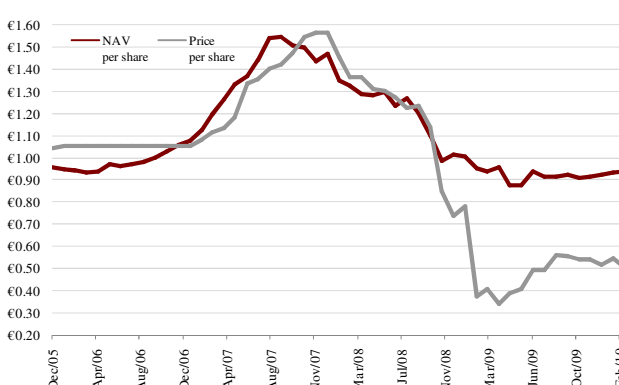
NAV per share (€)	0.9370
Share price (€)	0.5100
Total NAV (€ m)	93.7
Mk Cap (€ m)	51.0
# of shares (m)	100.0
Return since inception	-2.04%
12-month CAGR	-0.02%
Annualized Return*	-0.49%
Annualized Volatility*	13.44%
Best month	6.93%
Worst month	-10.52%
# of months up	29
# of months down	21

* since inception

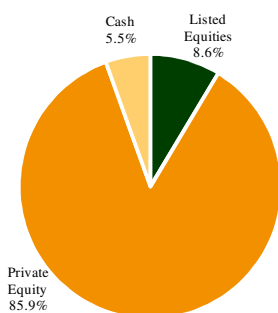
RC2 NAV returns

	2006	2007	2008	2009	2010
Jan	-0.61%	4.70%	-8.27%	-5.65%	1.36%
Feb	-0.73%	6.17%	-1.48%	-1.51%	0.03%
Mar	-0.87%	5.90%	-3.03%	2.39%	-
Apr	0.44%	5.05%	-0.26%	-8.40%	-
May	3.73%	3.08%	0.93%	-0.26%	-
Jun	-1.25%	5.19%	-4.75%	3.08%	-
Jul	1.23%	6.93%	2.85%	1.08%	-
Aug	0.61%	0.22%	-5.55%	0.23%	-
Sep	2.18%	-2.50%	-8.34%	1.20%	-
Oct	2.74%	-0.69%	-10.52%	-1.79%	-
Nov	2.80%	-4.09%	3.03%	0.46%	-
Dec	1.70%	2.46%	-0.60%	1.08%	-
YTD	12.47%	36.74%	-31.43%	-8.38%	1.40%

Share price / NAV per share (€)

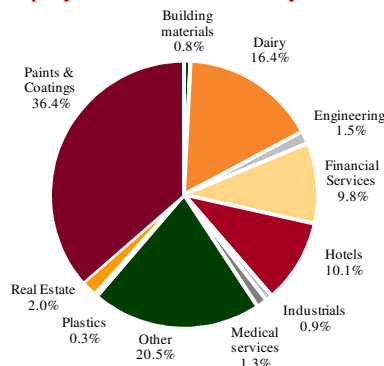


Portfolio Structure by Asset Class

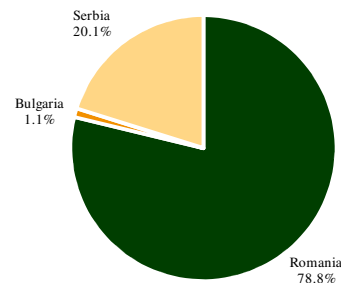


Note: Cash equivalents included under Cash

Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Note: EPH investment included under Serbia

Investment update

- Raul Ciurtin, the current president of the Board of Directors of Albalact, and a member of the family that owns 46% of its share capital, has replaced Traian Simion as the CEO. We view this as a positive development. Mr Ciurtin's involvement has been critical to the company's progress since the Ciurtin family bought Albalact in 1999, and transformed it from a small regional milk producer to the largest independent player on the Romanian dairy market.
- Top Factoring's two-month 2010 results show a threefold year-on-year increase in revenues, from €185,000 to €596,000. 71% of sales were generated by the debt purchase business line. Equally positive, the bottom line moved from a loss of €28,000 to a profit of €264,000.

Commentary

- The Romanian state successfully issued €1bn of eurobonds at the beginning of March. The bonds have a maturity of five years and were priced at a 5.17% yield. The issue was 4.5 times oversubscribed.
- In February, Serbia successfully completed the third review of its €3bn stand-by agreement with the IMF, allowing it to draw a further €350m in addition to the €1.1bn already drawn to strengthen its foreign exchange reserves.
- In January, industrial production increased by 6.9% year-on-year in Romania, but decreased by 0.9% in Bulgaria, and by 6.3% in Serbia.



Investment Manager
New Europe Capital Ltd
33 Marloes Road
London W8 6LG
Tel +44 20 7244 0088
london@neweuropcapital.com

Investment Adviser Romania & Bulgaria
New Europe Capital SRL
Str. Tudor Arghezi nr.21, et.6
Bucuresti - Sector 2
Tel +40 21 316 7680
bucharest@neweuropcapital.com

Investment Adviser Serbia
New Europe Capital DOO
Francuska 5/12
11000 Beograd
Tel +381 11 218 7064
belgrade@neweuropcapital.com