

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.

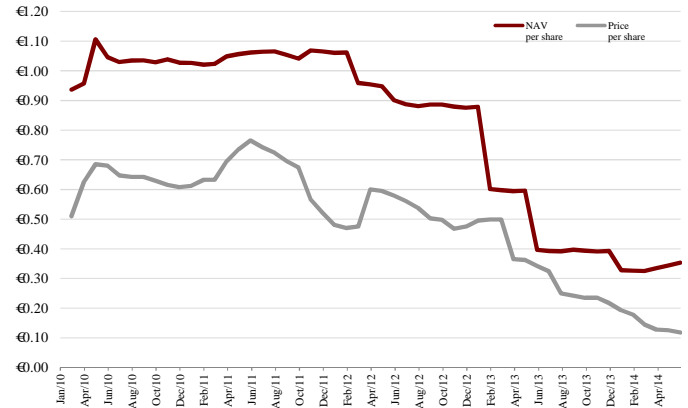


Statistics

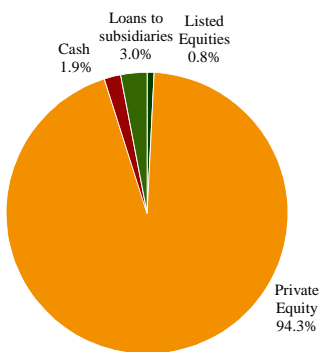
		RC2 NAV returns				
		2010	2011	2012	2013	2014
NAV per share (€)	0.3529					
Share price (€)	0.1175	Jan 1.36%	-0.54%	0.12%	-31.58%	-0.65%
Total NAV (€m)	35.3	Feb 0.03%	0.24%	-9.69%	-0.51%	-0.34%
Mk Cap (€m)	11.8	Mar 2.07%	2.48%	-0.50%	-0.62%	2.94%
# of shares (m)	100.0	Apr 15.60%	0.70%	-0.66%	0.29%	2.73%
NAV return since inception	-63.11%	May -5.42%	0.55%	-4.98%	-33.53%	2.70%
12-month NAV CAGR	-10.92%	Jun -1.57%	0.25%	-1.47%	-0.85%	
NAV annualized Return*	-11.17%	Jul 0.53%	0.13%	-0.73%	-0.28%	
NAV annualized Volatility*	20.55%	Aug 0.07%	-1.10%	0.61%	1.27%	
Best month (NAV)	15.60%	Sep -0.62%	-1.25%	0.01%	-0.69%	
Worst month (NAV)	-33.53%	Oct 0.96%	2.63%	-0.82%	-0.72%	
# of months up (NAV)	51	Nov -1.15%	-0.25%	-0.36%	0.43%	
# of months down (NAV)	50	Dec -0.06%	-0.49%	0.29%	-16.44%	
		YTD	11.07%	3.32%	-17.17%	-62.64%
					7.52%	

**since inception*

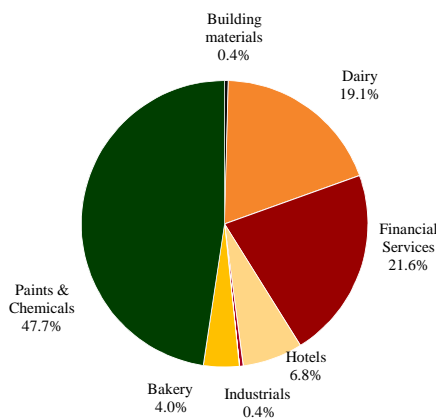
Share price / NAV per share (€)



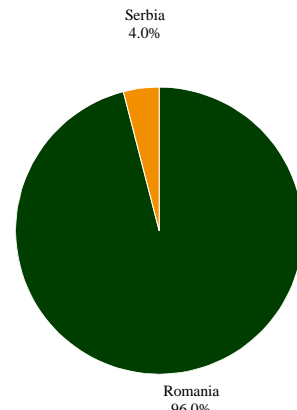
Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Commentary

In May, RC2 exchanged half its shareholder loan to Klas (the bakery division of East Point Holdings Ltd) amounting to €1.3m for a 41% direct shareholding in the company. Consequently, RC2's direct shareholding in Klas has increased from 11% to 52%. Pursuant to a similar transaction, DCMEF Holdings Ltd, part of the private equity division of the Franklin Templeton investment group and RC2's co-investor in East Point Holdings Ltd, has increased its shareholding in Klas from 6.5% to 30.5%. Pursuant to these transactions, East Point Holdings Ltd is no longer a shareholder of Klas. The balance of Klas shares is owned by DEG, a German overseas development finance institution.

Whilst there has been no significant improvement in the financial or operating performance of East Point Holdings Ltd since this investment was written down to zero in RC2's net asset value computation, RC2's Investment Manager and its Serbian Investment Adviser are continuing to work on this investment and will update RC2's shareholders if there are any significant developments.



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

Investment Adviser Serbia
 New Europe Capital DOO
 Francuska 12
 11000 Beograd
 Tel +381 11 715 1982
 belgrade@neweuropecapital.com