

Description

Reconstruction Capital II ("RC2") 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.

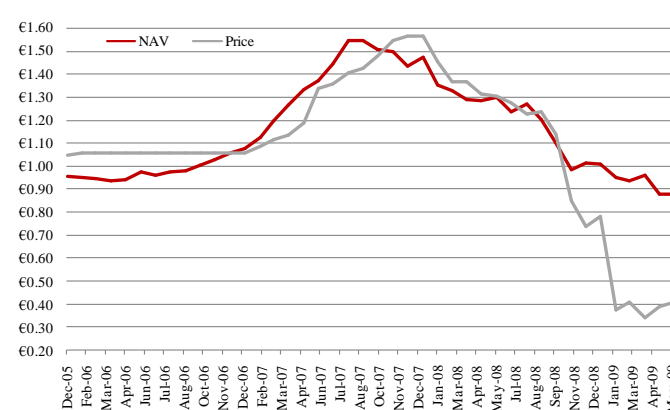


Statistics

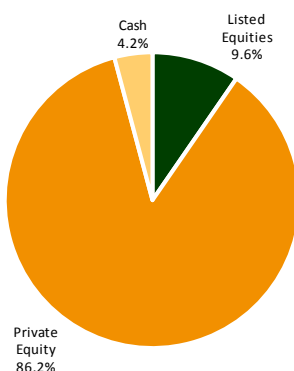
Statistics		RC2 NAV returns				
NAV per share (€)	0.8767	2006	2007	2008	2009	
Share price (€)	0.4100	Jan	-0.61%	4.70%	-8.27%	-5.65%
Total NAV (€ m)	87.7	Feb	-0.73%	6.17%	-1.48%	-1.51%
Mk Cap (€ m)	41.0	Mar	-0.87%	5.90%	-3.03%	2.39%
# of shares (m)	100.0	Apr	0.44%	5.05%	-0.26%	-8.40%
Return since inception	-8.34%	May	3.73%	3.08%	0.93%	-0.26%
12-month CAGR	-32.44%	Jun	-1.25%	5.19%	-4.75%	-
Annualized Return*	-2.52%	Jul	1.23%	6.93%	2.85%	-
Annualized Volatility*	14.68%	Aug	0.61%	0.22%	-5.55%	-
Best month	6.93%	Sep	2.18%	-2.50%	-8.34%	-
Worst month	-10.52%	Oct	2.74%	-0.69%	-10.52%	-
# of months up	21	Nov	2.80%	-4.09%	3.03%	-
# of months down	20	Dec	1.70%	2.46%	-0.60%	-
		YTD	12.47%	36.74%	-31.43%	-13.08%

* since inception

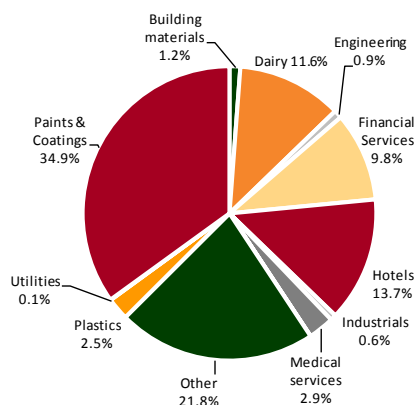
Share Price/NAV per share (€)



Portfolio Structure by Asset Class

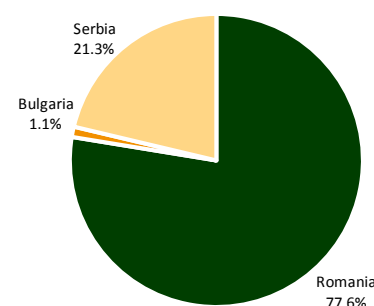


Equity Portfolio Structure by Sector



Note: EPH investment included under Other

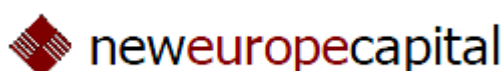
Portfolio Structure by Geography



Note: EPH investment included under Serbia

Commentary

- As expected, both the Romanian and Bulgarian economies contracted in 1Q09, with Romanian GDP falling by 6.2% year-on-year, whilst Bulgaria's economy shrank by 3.5%. The Serbian 1Q09 GDP figure has not yet been published.
- There is good news on the trade deficits: in Romania exports declined by 20.3% while imports fell by 36.4% over January-April 2009, resulting in the trade deficit falling to €2.9bn, 60.7% lower year-on-year. Over the same period, Bulgaria's trade deficit decreased by 36% year-on-year, from €2.5bn to €1.6bn, with exports and imports falling at the same pace (-30%). Serbia's January-March 2009 trade deficit declined by 36.6% year-on-year to €1.3bn.
- Contracting domestic demand resulted in Romania's CPI figure at the end of May coming in at 5.95% year-on-year, down from 6.5% at the end of April. Bulgarian CPI followed the same trend, with the May inflation figure coming in at 3.9%, down from 4.8% the month before. In Serbia, inflation was up 0.9% compared to April, bringing year-to-date inflation to 4.8%.
- The Romanian currency appreciated slightly in May against the euro (+0.1%), thereby continuing to show relative stability since the €19.5bn international financial package for Romania was announced at the end of March. Similarly, the Serbian dinar remained stable against the euro, helped by the disbursement of the first tranche (€0.8m) of the IMF's supplementary €2.9bn loan which was agreed in March.



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