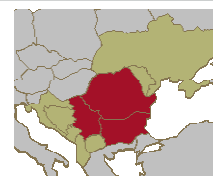
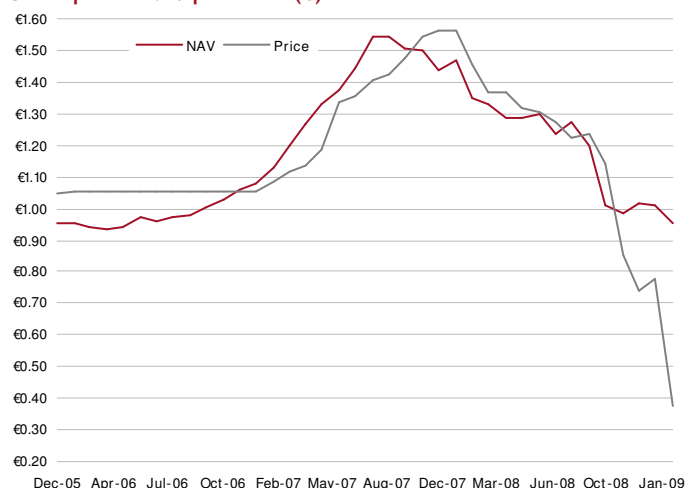
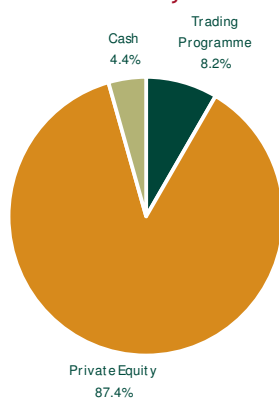
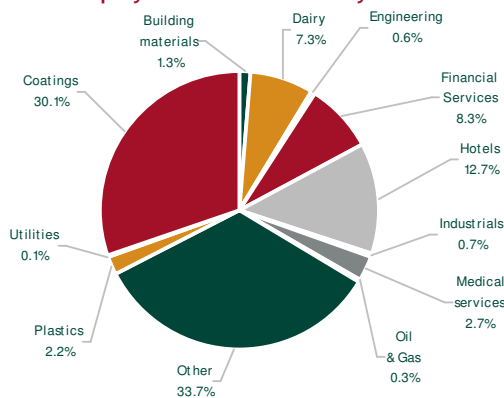
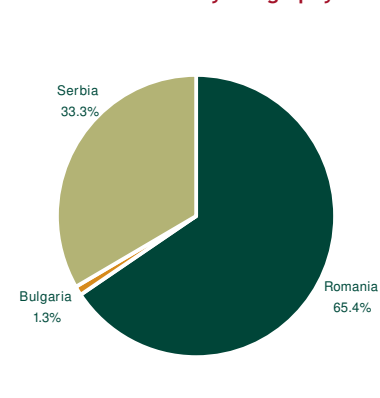


Description

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**

		RC2 NAV returns			
		2006	2007	2008	2009
NAV per share (€)	0.9516				
Share price (€)	0.3750	Jan -0.61%	4.70%	-8.27%	-5.65%
Total NAV (€ m)	95.2	Feb -0.73%	6.17%	-1.48%	-
Mk Cap (€ m)	37.5	Mar -0.87%	5.90%	-3.03%	-
# of shares (m)	100.0	Apr 0.44%	5.05%	-0.26%	-
Return since inception	-0.51%	May 3.73%	3.08%	0.93%	-
12-month CAGR	-29.47%	Jun -1.25%	5.19%	-4.75%	-
Annualized Return*	-0.17%	Jul 1.23%	6.93%	2.85%	-
Annualized Volatility*	14.61%	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	20	Nov 2.80%	-4.09%	3.03%	-
# of months down	17	Dec 1.70%	2.46%	-0.60%	-
* since inception		YTD 12.47%	36.74%	-31.43%	-5.65%

Share price / NAV per share (€)**Portfolio Structure by Asset Class****Equity Portfolio Structure by Sector****Portfolio Structure by Geography****Investment Update**

- Since the summer of 2008, Mamaia Resort Hotels has been run by a newly-installed professional management team appointed by RC2. The Company reported preliminary revenues of €1.8m in 2008, a 41% year-on-year increase. The bottom line posted a net loss of €0.3m, an improvement from the net loss of €0.7m in 2007.
- Top Factoring's 2008 full year unaudited accounts show a 72.8% year-on-year increase in revenues from €0.7m to €1.2m. 82% of the revenues came from the principal side of the business, which has involved the purchase of two packages of receivables from the Romanian arm of Vodafone. The first Vodafone package generated revenues of €0.2m in 2008, while collections from the second Vodafone package amounted to €0.8m. The Company ended the year with a net loss of €0.8m.

Commentary

- In January, the leu lost 6.6% against the euro. RC2's exposure to leu-denominated assets is 64.6% of the total Fund's assets. Romania's CPI was up 6.7% year-on-year in January. In 2008, Romania's trade balance recorded a deficit of €22.5bn, up 3.4% year-on-year in euro terms. Consequently, the current account deficit of Romania stood at €16.9bn in 2008, flat on the €16.7bn recorded in 2007. FDI inflows covered 53.5% of the deficit (from 43.5% in 2007).
- Over the month of January, the Serbian dinar lost 5.5% against the euro. Inflation increased by 2.1% over the month reaching 10% year-on-year. The National Bank of Serbia cut its key policy rate by 125 bps to 16.5%, the first cut since Oct-07.
- In 4Q08, Bulgaria's economic pace slowed to 3.6% year-on-year, making the FY 2008 GDP growth reach 6%, down from 6.2% in 2007.

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