

Description

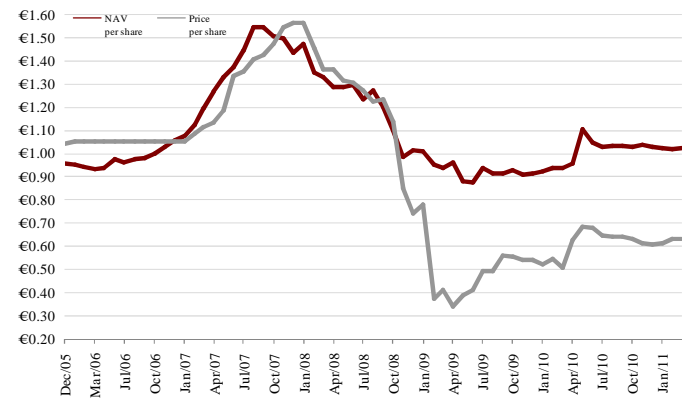
Reconstruction Capital II ("RC2" or the "Fund") is a closed-ended, absolute return driven investment fund, incorporated in the Cayman Islands. The fund invests in Private Equity & Listed Securities in South-East Europe. RC2 was admitted to the AIM market of the London Stock Exchange in December 2005 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.



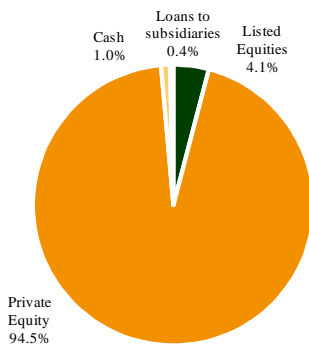
Statistics

		2007	2008	2009	2010	2011
NAV per share (€)	1.0233					
Share price (€)	0.6325	Jan 4.70%	-8.27%	-5.65%	1.36%	-0.54%
Total NAV (€ m)	102.3	Feb 6.17%	-1.48%	-1.51%	0.03%	0.24%
Mk Cap (€ m)	63.3	Mar 5.90%	-3.03%	2.39%	2.07%	-
# of shares (m)	100.0	Apr 5.05%	-0.26%	-8.40%	15.60%	-
NAV return since inception	6.98%	May 3.08%	0.93%	-0.26%	-5.42%	-
12-month NAV CAGR	9.21%	Jun 5.19%	-4.75%	3.08%	-1.57%	-
NAV annualized Return*	1.32%	Jul 6.93%	2.85%	1.08%	0.53%	-
NAV annualized Volatility*	14.15%	Aug 0.22%	-5.55%	0.23%	0.07%	-
Best month (NAV)	15.60%	Sep -2.50%	-8.34%	1.20%	-0.62%	-
Worst month (NAV)	-10.52%	Oct -0.69%	-10.52%	-1.79%	0.96%	-
# of months up (NAV)	35	Nov -4.09%	3.03%	0.46%	-1.15%	-
# of months down (NAV)	27	Dec 2.46%	-0.60%	1.08%	-0.06%	-
* since inception		YTD 36.74%	-31.43%	-8.38%	11.07%	-0.30%

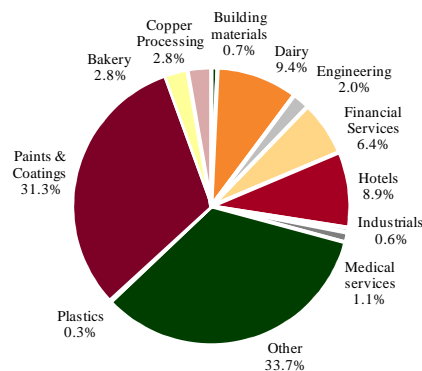
Share price / NAV per share (€)



Portfolio Structure by Asset Class

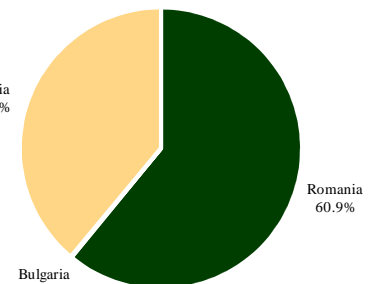


Equity Portfolio Structure by Sector



Note: EPH investment included under Other

Portfolio Structure by Geography



Note: EPH investment included under Serbia

Investment update

- The most recent investment update for RC2's investee companies has been included in the December 2010 Quarterly Report.

Commentary

- The Romanian leu gained 1.7% against the euro over the first two months of 2011 on positive expectations for the Romanian economy, whilst the Serbian dinar gained 2.2% against the euro.
- In January, Romania's exports surged by 47.8% year-on-year, with imports increasing by 29.4% over the same period. Consequently, the trade deficit for the month was €0.2m, 60.6% lower year-on-year. Bulgaria also reported strong trade position in January, with exports surging by 72.6%, triggering a small trade surplus of €15m, compared to a deficit of €0.2m in January 2010.

- Mainly due to the improved trade position, Romania's current account deficit narrowed by 86.5% to €15m in January, from a gap of €111m in January 2010.
- In early March, the National Bank of Serbia (NBS) raised its key interest rate by 25 bps (from 12.0% to 12.25%), representing the seventh consecutive rate increase since the historical low of 8% in August 2010.
- In February, Serbian CPI reached 12.6% y-o-y, substantially above the NBS' target range (5.8% +/- 185 bps), mainly driven by food price increases (+17.2% y-o-y), and electricity, gas and other fuel price increases (+13.6% y-o-y).
- The International Monetary Fund (IMF) has reached an agreement with the Serbian authorities on the seventh and last review of its ongoing stand-by arrangement, enabling Serbia to draw an additional €365m.



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