

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 SRL (Bucharest) is the adviser to RC2.

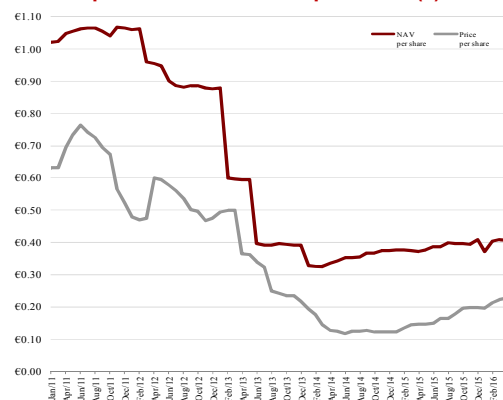


Statistics

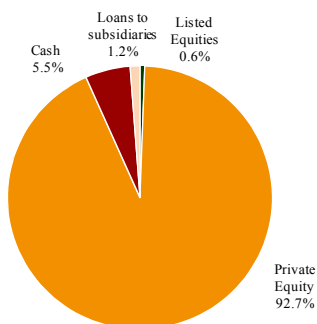
		RC2 NAV returns (undiluted basis)				
		2012	2013	2014	2015	2016
NAV per share (€) - undiluted	0.4038					
NAV per share (€) - fully diluted	0.3054					
Total NAV (€ m) - undiluted	40.4	Jan 0.12%	-31.58%	-0.65%	-0.07%	8.03%
Total NAV (€ m) - fully diluted	49.7	Feb -9.69%	-0.51%	-0.34%	-0.34%	1.22%
Share price (€)	0.2113	Mar -0.50%	-0.62%	2.94%	-0.70%	-0.66%
Mk Cap (€ m)	21.1	Apr -0.66%	0.29%	2.73%	0.93%	-0.49%
# of shares (m) - undiluted	100.0	May -4.98%	-33.53%	2.70%	3.11%	
# of shares (m) - fully diluted	162.6	Jun -1.47%	-0.85%	0.28%	-0.38%	
NAV return since inception†	-57.78%	Jul -0.73%	-0.28%	0.44%	3.24%	
12-month NAV CAGR†	7.28%	Aug 0.61%	1.27%	3.23%	-0.85%	
NAV annualized Return*†	-8.01%	Sep 0.01%	-0.69%	0.01%	0.31%	
NAV annualized Volatility*†	19.08%	Oct -0.82%	-0.72%	1.87%	-0.35%	
Best month (NAV)†	15.60%	Nov -0.36%	0.43%	0.15%	3.17%	
Worst month (NAV)†	-33.53%	Dec 0.29%	-16.44%	0.73%	-8.47%	
# of months up (NAV)†	65	YTD -17.17%	-62.64%	14.91%	-0.94%	8.10%
# of months down (NAV)†	59					

† undiluted basis * since inception

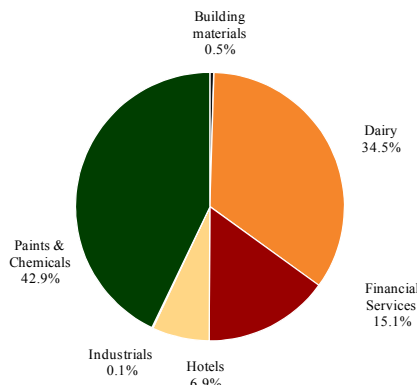
Share price / undiluted NAV per share (€)



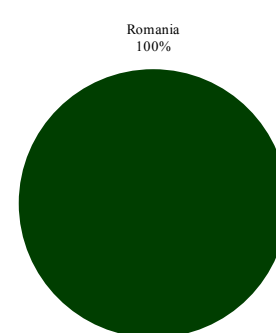
Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Commentary

In April, the Romanian parliament approved a law which could have a slightly negative impact on the debt collection business: the "walk away" law which limits the liability of mortgage borrowers to the level of the real estate collateral they have provided. The law allows borrowers to settle their liability to a bank by simply transferring their ownership right over the pledged collateral. The provisions would apply to all loans up to €250,000 in principal secured by real estate collateral, either already existing or issued after the enforcement of the law. According to statements of the governor of the NBR, the banks consider this law to have unconstitutional elements and are likely to request a referral from the Constitutional Court of Romania. The impact on the business of the Top Factoring Group is likely to be minimal as it has no NPL's in its books which are backed up by real estate collateral. However, the law is indicative of a political sentiment which is more hostile to banks and the purchasers of NPL's.