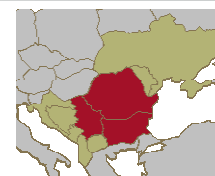


**Description**

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**

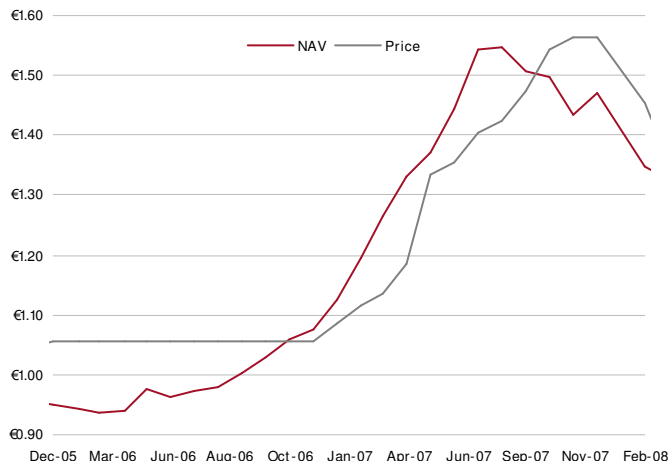
NAV per share (€)	1.3294
Share price (€)	1.3650
Total NAV (€ m)	149.8
Mk Cap (€ m)	153.8
# of shares (m)	112.7
Return since inception	38.99%
12-month CAGR	11.16%
Annualized Return*	16.41%
Annualized Volatility*	12.03%
Best month	6.93%
Worst month	-8.27%
# of months up	17
# of months down	9

\* since inception

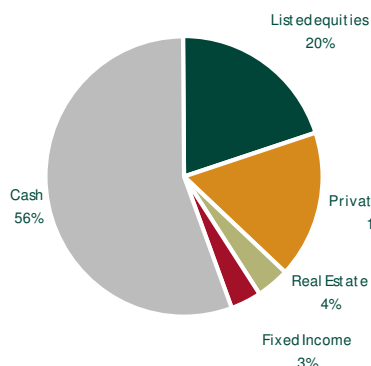
**RC2 NAV returns**

	2006	2007	2008
Jan	-0.61%	4.70%	-8.27%
Feb	-0.73%	6.17%	-1.48%
Mar	-0.87%	5.90%	-
Apr	0.44%	5.05%	-
May	3.73%	3.08%	-
Jun	-1.25%	5.19%	-
Jul	1.23%	6.93%	-
Aug	0.61%	0.22%	-
Sep	2.18%	-2.50%	-
Oct	2.74%	-0.69%	-
Nov	2.80%	-4.09%	-
Dec	1.70%	2.46%	-
YTD	12.47%	36.74%	-9.63%

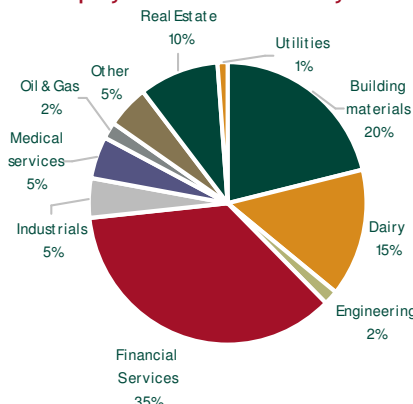
**Share price / NAV per share (€)**



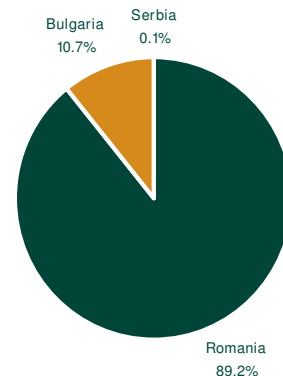
**Portfolio Structure by Asset Class**



**Equity Portfolio Structure by Sector**



**Portfolio Structure by Geography**



**Investment Update**

- Albalact announced preliminary 2007 sales of EUR 46.4m, an impressive 52.4% year-on-year growth. The company completed the move of its production to a new state-of-the art facility with a daily production capacity of 250,000 litres.

**Commentary**

- Whilst the prices of publicly traded equities stabilized in February (with the BET EUR index only losing 1.4% and the SOFIX index up 1.9%) it is quite stunning to compare the fall of these two indices since the beginning of December (-26.6% and -19.1%, respectively) with the Dow Jones Industrial Average, which fell only 7.5%, and the S&P 500 (down 9.4%). The point is that there appears to be a disconnect between the relative stock market corrections and the underlying prospects of the different economies.
- In Romania, the economy is forecast by the EIU to grow by 5.8% in 2008. This is continuing to be assisted by high levels of FDI, and EU post-accession funds beginning to have an impact.

**Commentary (cont'd)**

- In January 2008, Romanian FDI reached a total of EUR 695m, up 76% y-o-y.
- Noteworthy is Nokia's recent decision to shift production from Germany to Cluj-Napoca, as well as Ford's purchase of Romania's second automobile plant, which was completed in March.
- We believe that the local stock markets have over-corrected, due to the fact that, being relatively marginal exchanges, foreign investors have withdrawn large of amounts of funds, possibly to cover greater losses elsewhere.
- We remain upbeat, in particular about Romania, and our sector strategy has always been pretty defensive, with no leverage in transactions and little exposure to consumer lending. The fund's deal flow remains strong and several term sheets have been signed over the last month.

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