

**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.



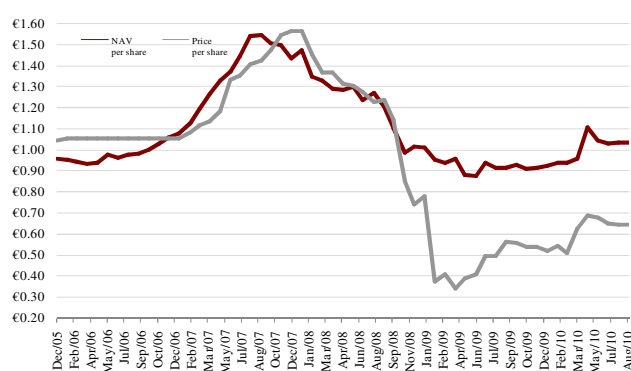
**Statistics**

NAV per share (€)	1.0355
Share price (€)	0.6425
Total NAV (€ m)	103.5
Mk Cap (€ m)	64.3
# of shares (m)	100.0
NAV return since inception	8.26%
12-month NAV CAGR	13.10%
NAV annualized Return*	1.72%
NAV annualized Volatility*	14.88%
Best month (NAV)	15.60%
Worst month (NAV)	-10.52%
# of months up (NAV)	33
# of months down (NAV)	23
* since inception	

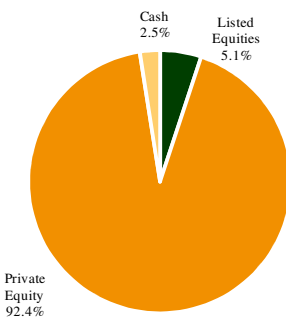
**RC2 NAV returns**

	2007	2008	2009	2010
Jan	4.70%	-8.27%	-5.65%	1.36%
Feb	6.17%	-1.48%	-1.51%	0.03%
Mar	5.90%	-3.03%	2.39%	2.07%
Apr	5.05%	-0.26%	-8.40%	15.60%
May	3.08%	0.93%	-0.26%	-5.42%
Jun	5.19%	-4.75%	3.08%	-1.57%
Jul	6.93%	2.85%	1.08%	0.53%
Aug	0.22%	-5.55%	0.23%	0.07%
Sep	-2.50%	-8.34%	1.20%	-
Oct	-0.69%	-10.52%	-1.79%	-
Nov	-4.09%	3.03%	0.46%	-
Dec	2.46%	-0.60%	1.08%	-
YTD	36.74%	-31.43%	-8.38%	12.05%

**Share price / NAV per share (€)**

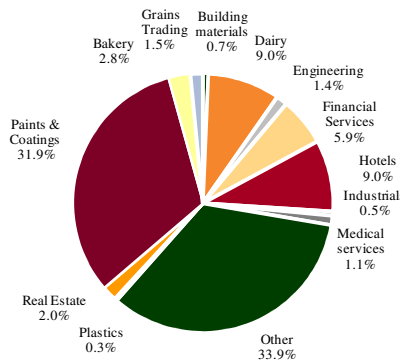


**Portfolio Structure by Asset Class**



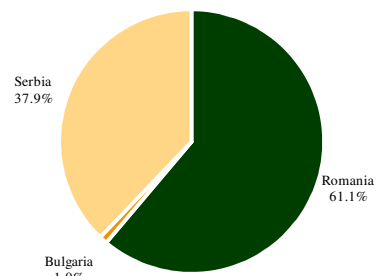
Note: Cash equivalents included under Cash

**Equity Portfolio Structure by Sector**



Note: EPF investment included under Other

**Portfolio Structure by Geography**



Note: EPF investment included under Serbia

**Commentary**

- Top Factoring’s results for the first 8 months of 2010 show a 2.6 times year-on-year increase in turnover from €0.8m to €2.2m, and both an operating and net profit for the period of €0.6m, compared to a loss of €0.1m during the same period last year. 64% of sales were generated by the debt purchase business line.
- Despite operating in a very difficult overall climate for Romanian seaside operators, with many hotels at Romanian resorts reporting dramatically reduced activity over the summer, Mamaia Resort Hotels closed the holiday season with a 75% occupancy rate, compared to 70% last year, and an occupancy rate of 30% over the first eight months of 2010, flat over the same period last year.
- RC2 has appointed Jersey-based Sanne Trust Company Limited (“Sanne”) as its new custodian and administrator, replacing Societe Generale S.A. and Euro-VL (Ireland) Ltd, both members of the Societe Generale group, which shall cease providing services to RC2 on the 31<sup>st</sup> October 2010. Sanne is a specialist provider of custodian and administrator services for funds. The directors anticipate that the appointment of Sanne will generate cost savings for the Fund.



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