

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.

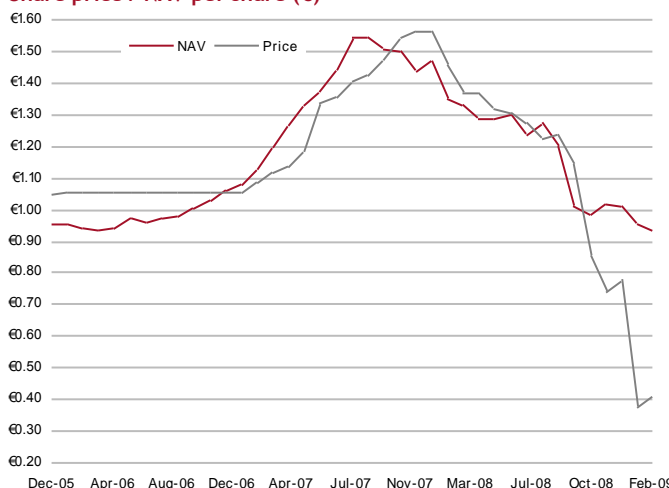


Statistics

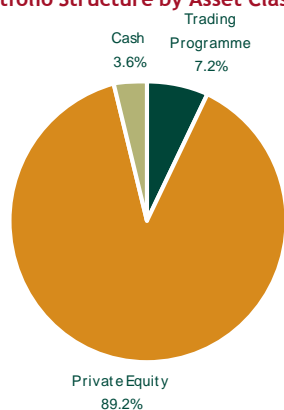
NAV per share (€)	0.9372					
Share price (€)	0.4100	Jan	-0.61%	4.70%	-8.27%	-5.65%
Total NAV (€ m)	93.7	Feb	-0.73%	6.17%	-1.48%	-1.51%
Mk Cap (€ m)	41.0	Mar	-0.87%	5.90%	-3.03%	-
# of shares (m)	100.0	Apr	0.44%	5.05%	-0.26%	-
Return since inception	-2.02%	May	3.73%	3.08%	0.93%	-
12-month CAGR	-29.50%	Jun	-1.25%	5.19%	-4.75%	-
Annualized Return*	-0.64%	Jul	1.23%	6.93%	2.85%	-
Annualized Volatility*	14.44%	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	18	Dec	1.70%	2.46%	-0.60%	-
* since inception		YTD	12.47%	36.74%	-31.43%	-7.08%

RC2 NAV returns

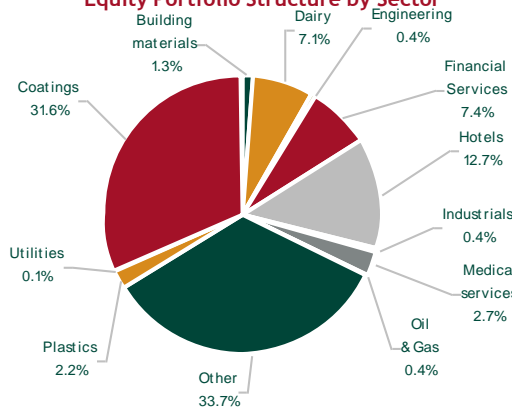
Share price / NAV per share (€)



Portfolio Structure by Asset Class

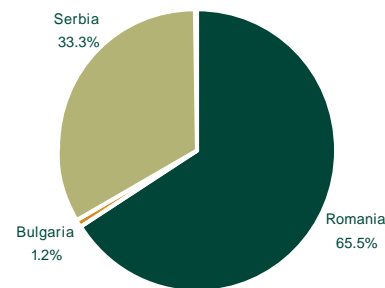


Equity Portfolio Structure by Sector



Note: EPH investment included under Other

Portfolio Structure by Geography



Note: EPH investment included under Serbia

Investment Update

- In February, RC2 and its partner the Romanian Investment Fund Ltd successfully finalised the squeeze-out of the remaining minority shareholders in Policolor S.A., resulting in the two funds owning 40% and 60%, respectively. The delisting process should be completed over the next two months.
- RC2 and its partner in medical services group Romar have decided to put the company up for sale by means of an organized sale process. A local investment banking boutique has been appointed to handle the sale and a number of expressions of interest have already been received from private equity funds and strategic investors.

- Also on a very positive note, FDI inflows amounted to €0.9bn in January 2009, up from €0.6bn a year ago. FDI inflows fully covered the month's current account deficit.
- In January, Romania's industrial production decreased by 12.1% year-on-year, a relatively modest decline compared to a number of other countries. Construction works completed during the month were 8.8% higher compared to January 2008.
- An IMF team has started talks with the Romanian authorities on a two-year €12bn standby agreement, whilst the Serbian authorities are negotiating a \$2bn increase in its existing \$520m stand-by agreement.

Commentary

- In January 2009, Romania's current account deficit shrunk by 54.6% year-on-year, triggered by a falling trade deficit (-66.4%).

- Bulgaria ended 2008 with the widest current account deficit in the EU: 24.3% of GDP. However, in January, the deficit almost halved to €0.4bn and was 47% covered by FDI.

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