

**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 (€)	0.9156
Share price (€)	0.5600
Total NAV (€ m)	91.6
Mk Cap (€ m)	56.0
# of shares (m)	100.0
Return since inception	-4.28%
12-month CAGR	-23.75%
Annualized Return*	-1.18%
Annualized Volatility <sup>3</sup>	14.27%
Best month	6.93%
Worst month	-10.52%
# of months up	24
# of months down	20

\* since inception

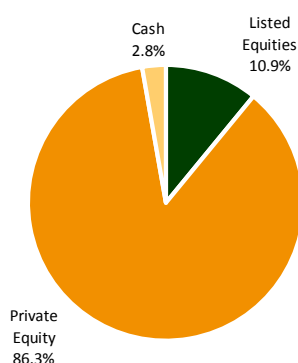
**RC2 NAV returns**

	2006	2007	2008	2009
Jan	-0.61%	4.70%	-8.27%	-5.65%
Feb	-0.73%	6.17%	-1.48%	-1.51%
Mar	-0.87%	5.90%	-3.03%	2.39%
Apr	0.44%	5.05%	-0.26%	-8.40%
May	3.73%	3.08%	0.93%	-0.26%
Jun	-1.25%	5.19%	-4.75%	3.08%
Jul	1.23%	6.93%	2.85%	1.08%
Aug	0.61%	0.22%	-5.55%	0.23%
Sep	2.18%	-2.50%	-8.34%	-
Oct	2.74%	-0.69%	-10.52%	-
Nov	2.80%	-4.09%	3.03%	-
Dec	1.70%	2.46%	-0.60%	-
YTD	12.47%	36.74%	-31.43%	-9.22%

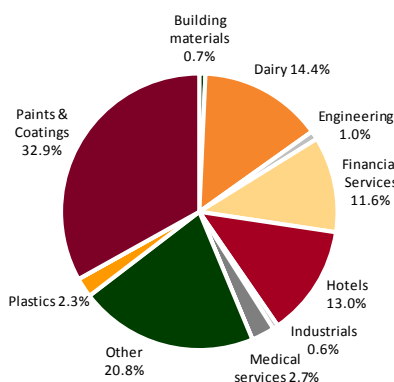
**Share Price/NAV per share (€)**



**Portfolio Structure by Asset Class**

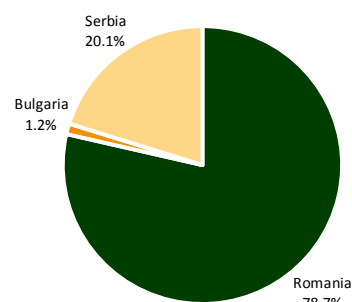


**Equity Portfolio Structure by Sector**



Note: EPH investment included under Other

**Portfolio Structure by Geography**



Note: EPH investment included under Serbia

**Investment Update**

- Mamaia Resort Hotels had a very satisfactory summer season: over the period June-August, the Hotel registered an average occupancy rate of 69%, which compares to 62% realized over the same period in 2008. For the first eight months of 2009, the Hotel operated at an average occupancy rate of 30%, which is slightly lower than the budgeted figure of 34%, but higher than the 25% occupancy rate recorded the same period last year. The Company reported revenues of €1.4m for the first eight months, up 19% year-on-year in local currency terms and 3% in EUR-terms.

**Commentary**

- As a direct consequence of the economic recession, both Romania and Bulgaria registered deflation in August, with the CPI for both countries decreasing by 0.2% month-on-month. Romania's CPI was up 5.0% year-on-year, while Bulgarian inflation came in at 1.3% year-on-year in August. In Serbia, CPI slowed to 8.5% in July (year-on-year).



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