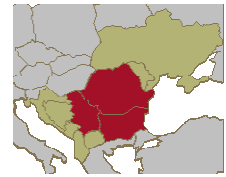


Description

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

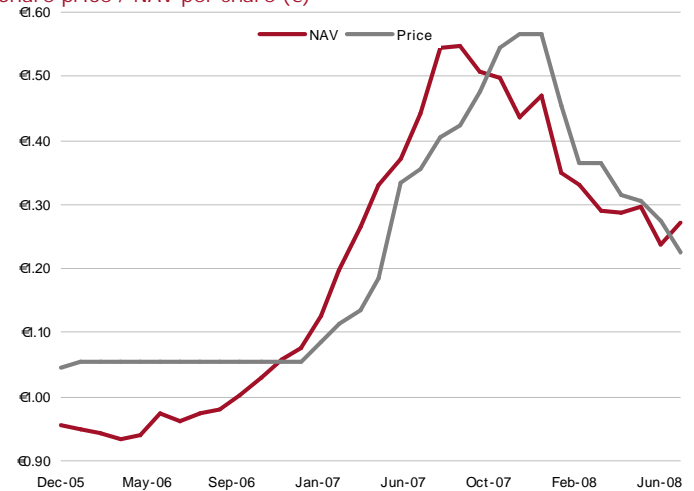
NAV per share (€)	1.2713
Share price (€)	1.2250
Total NAV (€m)	143.3
Mk Cap (€m)	138.0
# of shares (m)	112.7
Return since inception	32.91%
12-month CAGR	-17.59%
Annualized Return*	11.64%
Annualized Volatility*	11.97%
Best month	6.93%
Worst month	-8.27%
# of months up	19
# of months down	12

* since inception

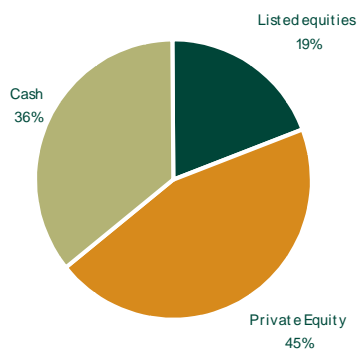
RC2 NAV returns

	2006	2007	2008
Jan	-0.61%	4.70%	-8.27%
Feb	-0.73%	6.17%	-1.48%
Mar	-0.87%	5.90%	-3.03%
Apr	0.44%	5.05%	-0.26%
May	3.73%	3.08%	0.93%
Jun	-1.25%	5.19%	-4.75%
Jul	1.23%	6.93%	2.85%
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%	-13.58%

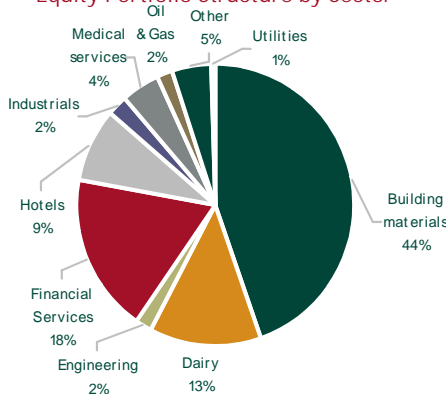
Share price / NAV per share (€)



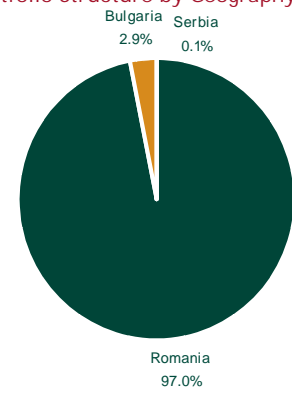
Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Investment Update

- RC2 took advantage of ongoing weak market valuations to add to its two quoted private equity positions.
- Accordingly, RC2 increased its stake in Albalact by 1.2% to 18.5%.
- At Policolor, RC2 increased its stake by a further 0.7% and now holds 38.3% of the total outstanding share capital. This is significant because RC2 now holds, together with its partner in this company the Romanian Investment Fund Ltd, over 95% of Policolor, which allows them to initiate a delisting procedure for this company.

Commentary

- July was another negative month for the regional capital markets with the BET-EUR down 5.6%, the SOFIX losing 12.2% and the BELEX-15 14.2% lower, all on the back of tight liquidity. By comparison, in EUR-terms the FTSE100 was down only 3.4% and the S&P500 remained almost unchanged at -0.1%.
- RC2's NAV per share increased by 2.9%, helped by a significant appreciation of the Romanian Lei (RON), which was up 3.0% against the euro over the month.
- On July 7th, Serbia's parliament approved a new government coalition made up of the pro-EU Democratic Party led by President Boris Tadic and its minority partner, the Socialist Party. On July 22th, in a clear sign of the new Serbian government's determination to follow a pro-EU accession path, the Serbian authorities arrested Radovan Karadzic and promptly extradited him to The Hague to face charges for his role in the Bosnian civil war.

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