

Description

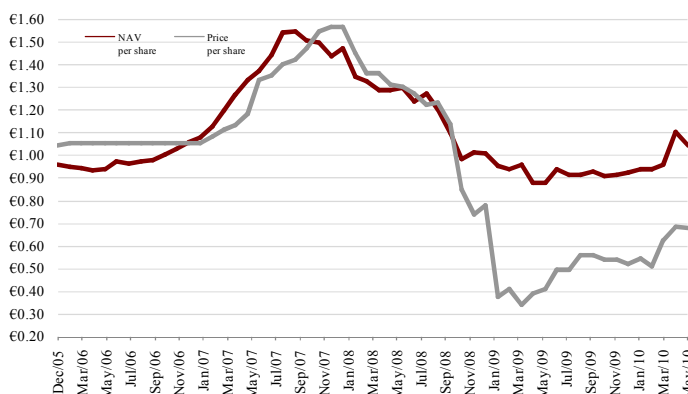
Reconstruction Capital II (“RC2” or the “Fund”) is a closed-ended, absolute return driven investment fund, incorporated in the Cayman Islands. The fund invests in Private Equity & Listed Securities in South-East Europe. RC2 was admitted to the AIM market of the London Stock Exchange in December 2005 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

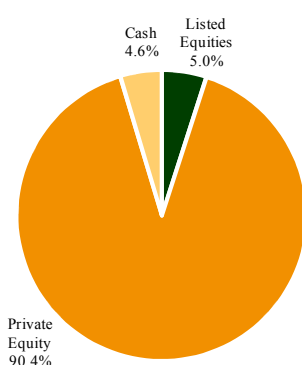
		RC2 NAV returns				
		2006	2007	2008	2009	2010
NAV per share (€)	1.0457					
Share price (€)	0.6800	Jan -0.61%	4.70%	-8.27%	-5.65%	1.36%
Total NAV (€ m)	104.6	Feb -0.73%	6.17%	-1.48%	-1.51%	0.03%
Mk Cap (€ m)	68.0	Mar -0.87%	5.90%	-3.03%	2.39%	2.07%
# of shares (m)	100.0	Apr 0.44%	5.05%	-0.26%	-8.40%	15.60%
Return since inception	9.33%	May 3.73%	3.08%	0.93%	-0.26%	-5.42%
12-month CAGR	19.28%	Jun -1.25%	5.19%	-4.75%	3.08%	-
Annualized Return*	2.04%	Jul 1.23%	6.93%	2.85%	1.08%	-
Annualized Volatility*	15.28%	Aug 0.61%	0.22%	-5.55%	0.23%	-
Best month	15.60%	Sep 2.18%	-2.50%	-8.34%	1.20%	-
Worst month	-10.52%	Oct 2.74%	-0.69%	-10.52%	-1.79%	-
# of months up	31	Nov 2.80%	-4.09%	3.03%	0.46%	-
# of months down	22	Dec 1.70%	2.46%	-0.60%	1.08%	-
		YTD	12.47%	36.74%	-31.43%	-8.38%
					13.16%	

Share price / NAV per share (€)



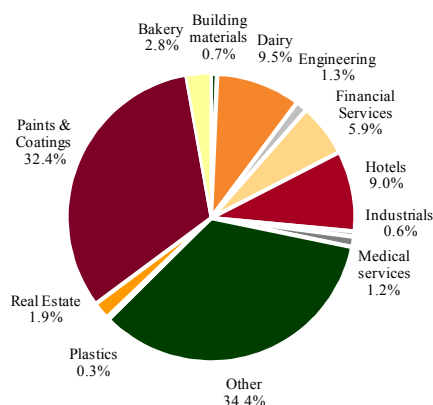
* since inception

Portfolio Structure by Asset Class



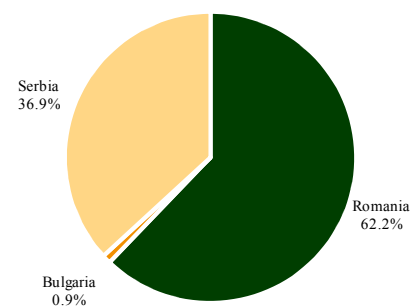
Note: Cash equivalents included under Cash

Equity Portfolio Structure by Sector



Note: EPH investment included under Other

Portfolio Structure by Geography



Note: EPH investment included under Serbia

Investment update

- The 5.4% fall in RC2’s NAV was primarily the result of a sharp decline in the Romanian stock market (BET-EUR: -15.2%) compounded by a slight devaluation of the RON (-1.2% against the euro) over the month, which had a direct impact on the Fund’s Trading Programme and its position in Albalact.

towards Serbia’s EU membership. The agreement was initially signed in April 2008 but remained frozen due to Serbia’s insufficient cooperation with the UN war crimes tribunal in The Hague.

- In early July, the IMF approved the disbursement of a new €0.9bn tranche of its loan under the Stand-By Arrangement with Romania. This is the fifth disbursement and brings the total disbursements under the agreement to €10.7bn. The disbursement comes after the Romanian government applied drastic cost-cutting measures which include cutting public sector wages by 25% and increasing the VAT level from 19% to 24%.

Commentary

- In May, both Romania and Bulgaria’s unemployment rates came in below the Euro area average unemployment rate of 10% (Romania: 7.7% and Bulgaria: 9.5%).
- In May, the EU foreign ministers agreed to submit Serbia’s request to unfreeze the Stabilization and Association Agreement (SAA) to their parliaments for ratification. This is the first formal step



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