

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 SRL (Bucharest) is the adviser to RC2.



Statistics

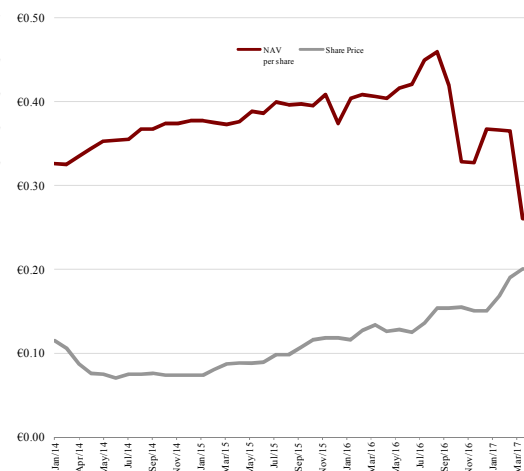
NAV per share (€)	0.2595
Total NAV (€ m)	38.3
Share price (€)	0.2075
Mk Cap (€ m)	30.6
# of shares (m)	147.6
NAV/share since inception†	-49.24%
12-month NAV/share performance	-35.74%
NAV/share annualized Return*†	-5.81%
NAV/share annualized Volatility*†	18.03%
Best month (NAV/share)*†	13.98%
Worst month (NAV/share)*†	-28.27%
# of months up (NAV/share)*†	72
# of months down (NAV/share)*†	64

** since inception † assumes pro-rata participation in the 2008 share buy-back and the 2017 return of capital*

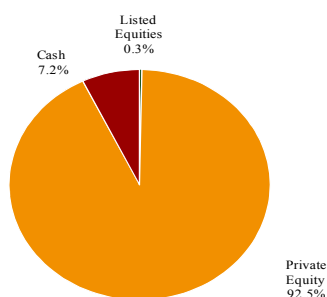
RC2 NAV per share returns

	2014	2015	2016	2017
Jan	-0.65%	-0.07%	8.03%	-0.26%
Feb	-0.34%	-0.34%	1.22%	-0.21%
Mar	2.94%	-0.70%	-0.66%	-28.75%
Apr	2.73%	0.93%	-0.49%	-0.31%
May	2.70%	3.11%	3.09%	
Jun	0.28%	-0.38%	1.18%	
Jul	0.44%	3.24%	6.83%	
Aug	3.23%	-0.85%	2.11%	
Sep	0.01%	0.31%	-8.63%	
Oct	1.87%	-0.35%	-21.79%	
Nov	0.15%	3.17%	-0.24%	
Dec	0.73%	-8.47%	12.06%	
YTD	14.91%	-0.94%	-1.75%	-29.30%

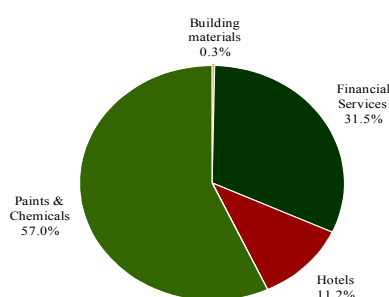
Share price / NAV per share (€)



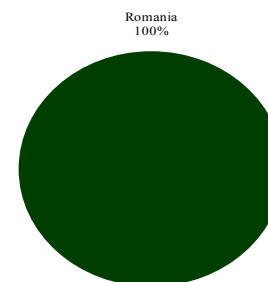
Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Commentary

RC2's wholly-owned subsidiary Glasro Holdings Ltd has used € 2.7m of the proceeds of the sale of its non-performing loan book to make an investment in Telecredit IFN S.A. ("Telecredit" or the "Company"), a Romanian non-banking financial institution that provides consumer loans to individuals. RC2 has acquired 74.5% of Telecredit, with the balance of 25.5% being owned by RC2's former partner in Top Factoring and his family, and has committed to making a € 0.15m capital increase, bringing RC2's total shareholding to 80%. A description of Telecredit will be presented in the June quarterly report.

Policolor has signed a pre-contract for the sale of the Bucharest site where its current Romanian production plant is located to a Romanian real estate development company for a total price of € 22m, of which € 4.5m was received at signing. A further € 6.9m is due to be received in June, at which point approximately half the site would be actually sold to the buyer. In the summer of 2018, Policolor is due to receive a further advance payment of € 0.7m in respect of the remaining land to be sold, and finally, on delivery of the remaining plot (where its current factory is located) in June 2019, Policolor is due to receive a final payment of € 9.9m. Policolor has used € 3.2m of the sales proceeds received to date to repay a lender in order to remove a mortgage on the land, will use part of the remaining proceeds to repay € 3.7m of shareholder loans it has received, and intends to use part of the remainder of the proceeds (net of approximately € 3.1m of estimated income tax on the disposal, and other costs related to the land sale) for the construction of its new factory. How much of the rest of the sale proceeds can be distributed to its shareholders will depend on the terms of the loan agreements currently being negotiated with Policolor's banks, and in particular how much of the new factory can be financed through bank debt.