

Stock Codes	Capital Shares	Income Shares	Warrants	ZDP Shares
Topic	EQPC	EQPI	EQPW	EQPZ
Bloomberg	EQPC LN	EQPI LN	EQPIW LN	EQPZ LN
Reuters	EQP.L	EQPi.L	EQP_t.L	EQPzo.L
ISIN	GB0030735483	GB0030735376	GB0030735269	GB00B1145147

30 April 07	Capital Shares	Income Shares	Warrants	ZDP Shares
Mid Price	110.50p	123.00p	N/A	106.00
NAV	137.84p	102.86p	N/A	N/A

Issue thirteen

April 2007

Fund Manager:

EPIC Investment Partners Limited (EIP)



Fund Manager Profile
Jo Welman

Jo Welman graduated in economics from Exeter University in 1979. He joined Baring Brothers where he managed several large segregated UK and US public company pension funds and The Barings UK Smaller Companies Unit Trust. In 1989 he was recruited by Rea Brothers to become the managing director of the investment management subsidiary. He resigned as a director of Rea Brothers Group plc in August 1999 following the bank's take-over by Close Brothers. He resigned as chairman of Brit Insurance Holdings PLC in September 2002 and is managing director of EPIC Investment Partners Limited (formerly Equity Partnership Limited), the investment manager to the Company.

Corporate Details

Launch Date:	17 August 2001
Launch Assets:	£67.63m (net of expenses)
Current Assets:	£97.28m
Capital Structure:	Capital Shares: 40,304,312 Income Shares: 20,736,333 ZDP Shares: 20,000,000
ZDP Shares:	Redemption Price: 139.3p due 29 July 2011 At time of issue this equated to a 6.5% GRY
Year End:	31 July
NAV:	Monthly
Directors:	Dr C McPhail, DL Adamson, DC McCrickard, P Keltie, M Richardson, PP Scales
Winding up Provisions:	31 July 2011
Annual Management Fee:	1%
Brokers:	Teather & Greenwood

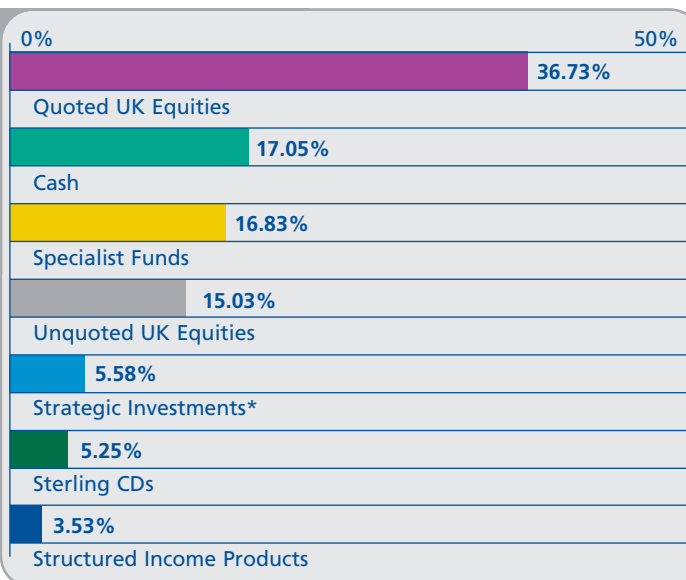
Investment Objective

The Company can invest in quoted and unquoted equities, bonds and structured income products and investment funds to generate capital growth for capital shares and an initial 10% yield for income shares.

Benchmark

Capital Share NAV: Libor + 3% per annum
Income Shares: Entitled to 10% per annum with annual RPI increases (capped at 5% per annum)

Asset Allocation as at 30 April 2007



*Syndicate Asset Management PLC, Strand Partners Limited,
 Note: figures do not include the exposure to EPIC Securities PLC

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Manager's Commentary

During this last quarter, highs in commodity prices together with signs of stronger economic growth that indicated a rise in domestic capacity pressures, led the outlook for UK inflation to markedly deteriorate. Not surprisingly, as the rate of inflation increased to a 15-year high of 3.1% y/y, expectations of future interest rate advanced, whilst the Bank of England delivered a humble letter of explanation to the Chancellor of Exchequer.

At the same time, housing market and labour market conditions remained firm. Therefore, in line with our forecast, a quarter point increase in the UK Base Rate to 5.50% was enacted at the time of writing, which took UK Gilt yields unavoidably higher, and led returns to sterling denominated bonds to be mired by capital losses.

Looking ahead, we continue to believe that these upside risks will remain, which justifies a continuation of the underweight allocation to bonds. With strong house price activity and wage growth expected to remain conducive to domestic demand, and increased margin growth reflected in the prices components of a number of business surveys, we fear that inflation and/or inflation expectations may remain above the desired level for a longer period of time. Hence, whilst bond yields represent better value following the recent sell-off, it is not clear that their returns will be sufficient to meet that of the Fund's benchmark. Therefore, we await signs of a moderation in the risks to inflation outlook before increasing the allocation to **fixed income**.

The All Share Index appreciated by 4.5% during the period. Despite continuing to view world macro-economic trends with

some caution two specific investment opportunities meant that EPIC increased its **UK equity** exposure by £1.7 million during the quarter. Lyons Capital acquired Laird's building business partly financed by a 4 for 10 issue which EPIC backed. Kyrgystan gold explorer Aurum Mining raised £30 million on AIM allowing EPIC to build a 3% stake in the company.

We continue to research **Specialist Funds** which meet the Company's return criteria while exposing it to relatively low correlations with equity and bond markets. As well as additions to the Life Settlement Fund and the investment in Baltic property, we have during the quarter purchased a unit in AHG Trading GmbH, a German tax arbitrage structure with a target yield significantly in excess of the Company's return objective. During the quarter we have also taken further profits in Climate Exchange PLC which continued to perform strongly.

The **Private Equity** division has a strong pipeline of new deals, and has completed the acquisition of Results UK as part of the buy and build strategy of database management business Marketing Databasics. An update on the existing portfolio is included separately in this Newsletter.

Market Data

	68.5 months since launch
Capital Shares	11.62%
FTSE All Share Index	29.53%
NAV	43.52%
Benchmark	51.56%

Largest Investments

	% of total investments
Lupus Capital Plc	7.61%
Alliance & Leicester Grp 5.66pct 20 Aug 2007 Sterling CD	6.33%
Diploma PLC	6.14%
Palatinate Schools Limited	5.30%
Nexus Industries Limited	4.55%
Alpha Real Estate GmbH 8pct 11 Feb 2010	4.25%
DTZ Holdings PLC	3.44%
Jupiter Hyde Park Hedge Fund	3.41%
Invensys Plc	3.36%
Syndicate Asset Management Loan Note	3.12%
Pinnacle-psg Limited	2.99%
Prudential PLC	2.78%
AHG Trading Genussscheine	2.55%
Matchtech Group PLC	2.54%
Strand Partners Limited	2.34%
Total of 15 largest investments	60.72%

Manager and Investment Style

EPIC Private Equity ("EPE"), founded in 2001, has completed over 45 transactions and deployed £80m of capital in £300m of Enterprise Value. EPE aims to generate a strong yield through investment in mezzanine debt coupled through significant capital appreciation by investing in equity stakes.

EPE targets leveraged buyouts at EV/EBITDA valuations of less than 5.0x, backing experienced managers to leverage their positions within established, successful businesses and investment in growing smaller businesses in attractive niche markets with good prospects for growth. Investments take the form of significant minorities, never more than 29.9%. EPE has a healthy pipeline of deals. The current Private Equity portfolio consists of £8.8m of Mezzanine yielding between 9% and 11.0% (blended yield 9.9%) serviced interest, and £6.2m of Equity and Shareholder Loans, invested in 8 companies. Private Equity equates to 15.4% of EPIC plc's gross assets.

Palatinate Schools Limited (31.2% of total PE funds invested, 4.8% of fund) is a schools group in central London, in which EPIC invested £3.0m in mezzanine and £1.25m in equity and shareholder loans, to fund a management buy out in February 2005. EPIC holds 29.9% of the share capital. Sales have grown at 11% per annum since 2004, and 2007 budget is £7.2m. EBITDA margins run at 30% on average. Comparable companies would be Cognitas, Gems.

Pinnacle-psg Limited (15.9% of total PE funds invested, 2.5% of fund) is a social housing management company, in which EPIC invested £3.0m of shareholder loans and equity in December 2001, as replacement and working capital. £1.0m of shareholder loans have been returned. EPIC holds 13.9% of the share capital. Sales budget for 2008 is £65.0m, sales CAGR ("Compound Annual Growth Rate") from 2003 to 2007 has been 32% and operating margin runs at around 6% on average. A recent investment by Numis values the company at £17m, and comparable companies would be Erinaceous, Inspace, Mouchel Parkman, Parkwood Holdings and Tribal.

Nexus Industries Limited (25.1% of total PE funds invested, 3.9% of fund) is a distributor of electrical and wiring accessories. EPIC backed members of the existing management team to buy the business in January 2005, investing £3.1m in mezzanine and £1.2m in equity and shareholder loans. EPIC holds 29.9% of the share capital. Sales have been stable since 2004, budgeted sales for 2007 is c. £60.0m and EBITDA margin runs at around 10% on average. Comparable companies would be Electrium Ltd, GET plc (recently delisted), Schneider (acquired GET plc) and Legrand SA.

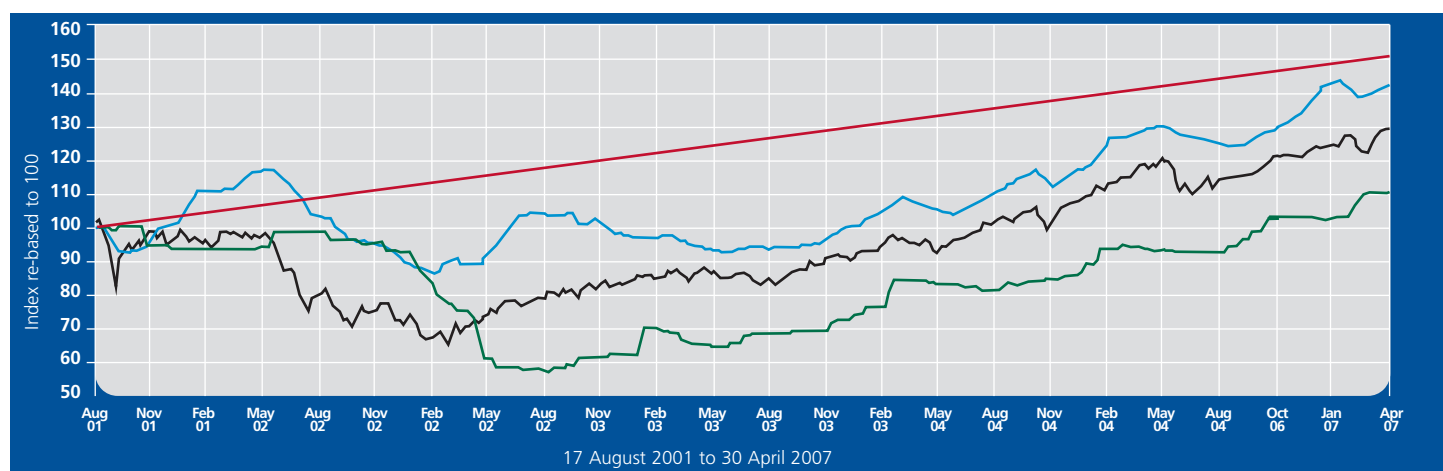
Pharmacy2U Limited (5.8% of total PE funds invested, 0.9% of fund) is an internet based medicine retailer and deliverer of NHS prescriptions to the home using the government

approved Electronic Transmission of Prescriptions protocol. EPIC invested £0.25m of growth capital in Pharmacy2U in November 2002 and now holds 8.2% of the equity, having sold 20% of EPIC's stake in 2005 to EMIS down to de-risk the initial position. Sales budget is £10m, sales have grown by 46% per annum since 2002. The business is cash flow positive and profitable. Operating margin is not disclosed. No UK comparables but similar companies exist in the US.

Kilgour French & Stanbury Limited (2.0% of total PE funds invested, 0.3% of fund) is a Saville Row tailor selling bespoke and ready to wear men's wear. EPIC invested £0.3m of working capital in Kilgour in August 2003, when the business had sales of £1.5m, and holds 20% of the equity. Sales budget is now £4.0m, sales have grown at 26% per annum with operating margin running at circa 8%. Comparables are numerous high-end luxury goods retailers.

Other investments (20.2% of total PE funds invested, 3.1% of fund) are Bighead Bonding, a small precision engineering business, Ryness Electrical, an electrical retailer, and Indicia, a database management business which is currently following a buy and build strategy. Investments in are primarily in mezzanine (£2.1m) and focused on yield.

Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 30 April 2007 - re-based to 100)



Source: Bloomberg

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