The Equity Partnership Investment Company PLC

JANUARY UPDATE

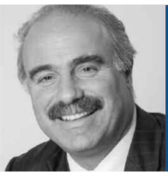
Stock Codes	Capital Shares	Income Shares	ZDP Shares
Topic	EQPC	EQPI	EQPZ
Bloomberg	EQPC LN	EQPI LN	EQPZ LN
Reuters	EQP.L	EQPi.L	EQPZo.L
ISIN	GB0030735483	GB0030735376	GB00B114S147

31 January 2010	Capital Shares	Income Shares	ZDP Shares
Mid Price	20.25p	82.00p	126.00p
NAV	53.40p	99.62p	125.42p

Issue twenty-five

January 2010

Fund Manager:
EPIC Asset Management Limited (EPAM)



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 their 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 and became Chairman of Brit Insurance Holdings PLC. He resigned from Brit in September 2002 and is Chairman of EPIC Asset Management Limited, the investment manager to the Company.

Corporate Details

Launch Date:	17 August 2001	
Launch Assets:	£67.63m (net of expenses)	
Total Assets:	£69.18m	
Capital Structure:	Capital Shares:	40,304,312
	Income Shares:	20,736,333
	ZDP Shares:	20,000,000
ZDP Shares:	Redemption Price:	139.3p due 31 July 2011
	At time of issue this equated to a 6.5% GRY	
Year End:	31 July	
NAV:	Monthly	
Directors:	Dr C McPhail,Chairman, DC McCrickard, M Richardson, PP Scales	
Winding up Provisions:	31 July 2011	
Annual Management Fee:	1%	
Brokers:	Numis Securities Limited	

Investment Objective

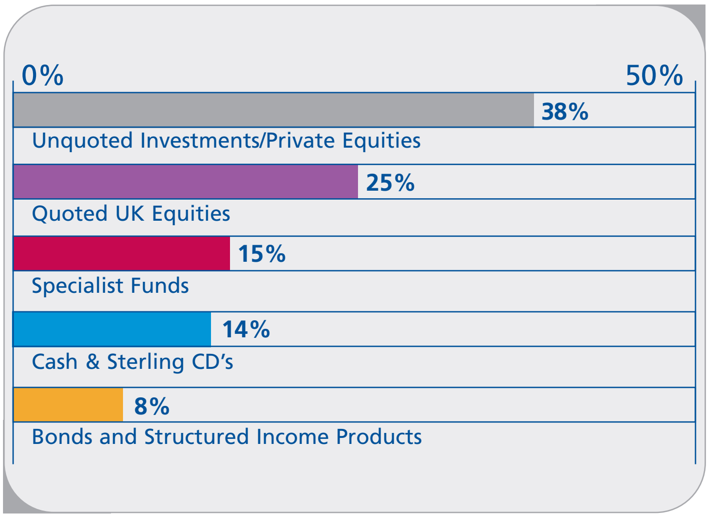
The Company can invest in quoted and unquoted equities, bonds and structured income products and investment funds to generate capital growth for capital shares and an initial 10% yield for income shares.

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 31 January 2010



Note: *figures do not include the exposure to EPIC Securities PLC*

Contact

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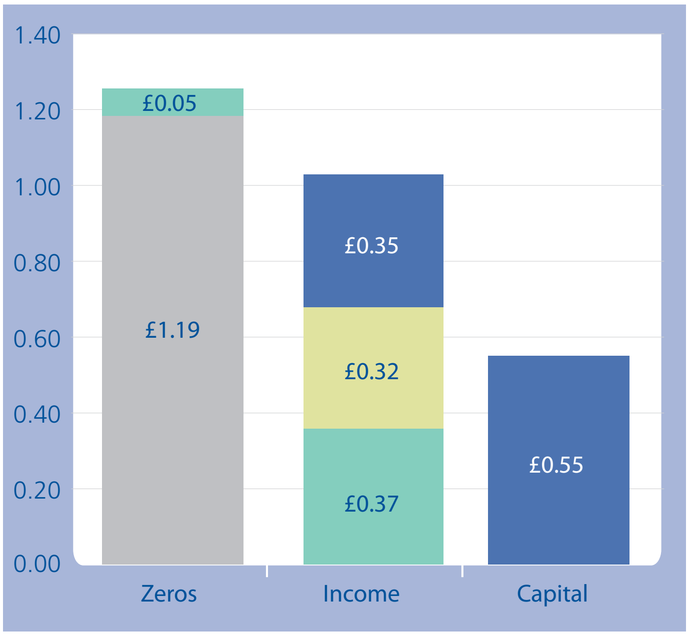
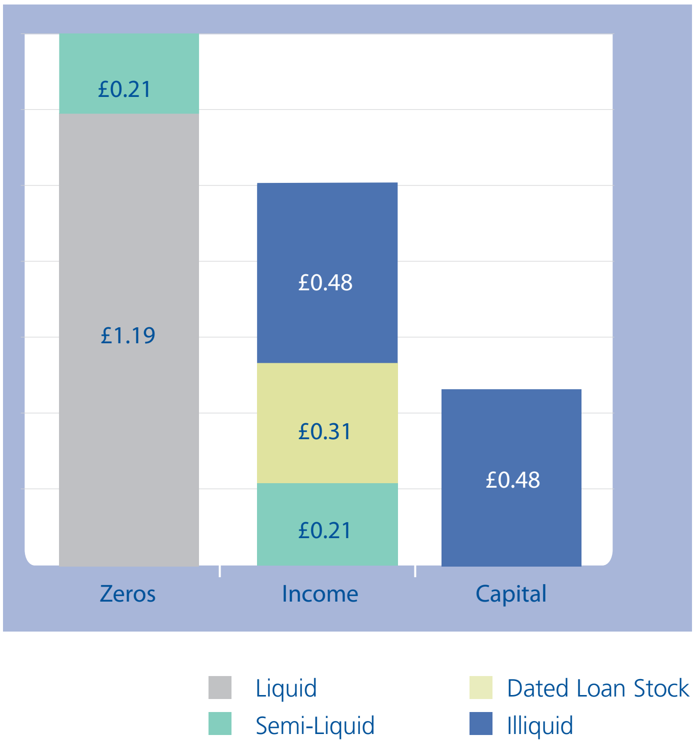
Current Entitlements 31/01/10 (pence per share)



Final Entitlements (pence per share)



As the Company moves into the final 18 months of its initial life the quarterly reports will focus on the liquidity of the underlying assets. The histograms above provide an indication of the nature of the assets backing the EPIC Zero Dividend Preference Shares, Income Shares and Capital Shares. The Zeros have prior charge and therefore in the analysis have been allocated the assets considered the most liquid followed by the Income Shares and subsequently the Capital Shares which receive the balance of capital and income not required to satisfy the Company's obligations to the Zero and Income Shareholders. Rather than divide the portfolio into the traditional asset classes, the analysis is an attempt by the Manager to split the portfolio according to their liquidity characteristics. The grid below the histograms indicates the four liquidity categories:

- The most liquid category includes cash, quoted equities and open ended funds which are considered readily realisable.
- Semi-liquid indicates listed investments and funds where the Company's holdings are greater than normal market dealing size and are likely therefore to require a longer period for realisation. However, it is currently considered likely that these will be readily realisable within the Company's remaining life and it is intended that any realisations will be reinvested in more liquid investments.
- The dated stock signifies fixed interest paper - loan notes and mezzanine - outside the Private Equity portfolio, with redemption dates likely to fall within the life of the Company. It should be stressed that these investments are unlisted and therefore not readily realisable prior to redemption. We therefore rely on the underlying borrowers' ability to repay.
- Finally, illiquid assets not readily realisable in the short term, including the Private Equity LLP's from which the Company has no withdrawal rights and which contain illiquid underlying assets generally likely to require trade sales, and Specialist Funds for which there is no current market.

It should be stressed that the allocation between these categories is by necessity subjective and the analysis constitutes the Manager's best estimate and is not intended and should not be regarded as a forecast of profits.

The first chart shows the current asset allocation in terms of pence per share, reflecting an estimate of the three classes of shareholders' current entitlements. The second is an estimate of the allocation adjusted to take account of shareholders' final entitlements. It should be noted that the latter does not reflect ongoing costs, changes in asset allocation, realisations or potential investment returns over the remaining life of the Company; it is merely an illustrative analysis of the extent to which shareholders' entitlements on 31 July 2011 may be reliant on the Company's ability to generate liquidity from the current portfolio. Assuming an unchanged balance sheet, the difference therefore reflects the increased entitlement that accrues for the Zero Dividend Shareholders over the period up to 31 July 2011

The liquidity analysis above is based on the estimated net asset value which could be redeemed from the underlying investments of the Company based on current market conditions. It is provided for illustrative purposes only and is not a forecast or projection of the value of the assets available on liquidation of the Company or their allocation amongst the shareholders. The Company's liquidity is subject to frequent changes in the light of market conditions and changes in the value of individual investments and in the composition of the portfolio.

Manager's Report

Market Commentary

Economic releases during the period confirmed the widely-held expectation that the US, Eurozone and Canada exited recession in Q3, as well as showing that investor confidence continued to improve, and that unemployment, whilst it continued to rise, did so more gradually. While consumers appear to have been gaining in confidence for a number of months, business confidence indicators have been rising for longer and generally by more. Equity markets rallied on the back of this encouraging economic data, the retreat of risk aversion and increased liquidity helped in part by central bank action. A more benign outlook for economic activity, together with expectations of rising future inflation and higher sovereign debt issuance caused bond yields to rise and curves to steepen.

Deterioration in Greece's credit quality and the not so systemically important Dubai world debt restructuring concerned markets during the period. Although these events did not provoke widespread disruption, they served as a gentle reminder that economic recovery is not a simple, consistent one-way story. Money markets, anchored by liquidity and low central bank rates, continued to underperform corporate bonds which continued to rally.

Central banks kept central bank rates unchanged, and continue to send out dovish statements and reiterate their view that bank rates will be maintained at these levels for the near term. They also signalled the reduction in pace of their unorthodox monetary easing policies and in some economies stated that some of these measures will be brought to an end by the first quarter of 2010; in the case of the Eurozone, some facilities are receding in size naturally as demand for them lessens. Markets' attention has been focussed on the timing of such liquidity policy reversals and the effects this will have on both the economic and capital market environment.

After encouraging signs at the end of 2009, the beginning of 2010 saw markets come back down to earth, with disappointing employment reports in the US, larger than expected 85,000 job decline in Non farm payrolls and declines in household employment. Manufacturing activity continue to pick up speed however with factory orders rising steadily and activity survey measures ending the year at 55.9. On the positive side Q4 GDP was released suggesting a relatively strong recovery in the US, with consumption and investment showing signs of recovery. A concern is how the mortgage market will react to the withdrawal of the Fed purchases in the mortgage market, with borrowing costs expected to rise once this has stopped, hindering the vital recovery of the already fragile housing market.

In the Eurozone survey data suggested that GDP growth likely remained positive in Q4, although real economic data has been less encouraging. House prices in the UK continued to show signs of stabilisation and recovery. The UK turned in anaemic GDP growth of 0.1% in the fourth quarter, supporting our view that the UK - which, despite massive monetary easing and currency depreciation, was the last of the Western economies to exit the recession – continues to lag the other economies, and with intimidating prospective burdens of debt and taxation remains likely to do so for a considerable period. Political uncertainty is currently high in the UK with the forthcoming general election having the potential to bring about a paradigm shift in fiscal policy.

The Euro area will be less fettered than other economies by debt burdens and fiscal consolidation; its few problem states represent a minor contribution to overall Eurozone GDP. The region is relatively manufacturing-orientated and thus the effect of inventory restocking is potentially greater here than elsewhere and, while there is uncertainty as to the exact timing and scale of this contribution, signs are that it is already acting as a positive on growth and we expect it to do so in the near-term, probably rendering the recovery self-sustaining and permitting the gradual withdrawal of emergency monetary policy measures.

We believe that the most likely scenario of self-sustaining recovery in most of the world, combined with the reversal of expansionary monetary policy, and heavy issuance of government debt in many regions, will exert ongoing upward pressure on yields in the medium term. Meanwhile, demand for liquid government bonds, together with plenty of spare productive capacity in most economies, may provide some offset. Credit spreads will probably narrow further going into 2010, as private sector default rates continue to fall, some of their credit risk having been passed on to the government sector, and general business conditions improve. We continue to anticipate slow, but gradually accelerating, economic growth in the developed world generally, and negligible inflation pressure near-term, together with rises overall in government bond yields (albeit with increasing dispersion between sovereigns, driven in large part by their diverging fiscal positions).

Quoted Equity

The FTSE All Share Index gained 2.9% during the period as dividend yields on equities continued to compare favourably with deposit rates. The rise would have been more but for mid-January concerns over Chinese monetary tightening and US President Obama's plans to regulate the banking industry.

EPIC disposed of its entire holding in Electrocomponents and trimmed the positions in Diploma and Matchtech. A new holding was taken in entertainment and book retailer HMV and small additions made to the holdings of Cable & Wireless, Encore Oil, Huntsworth, Lupus Capital and Managed Support Services.

Private Equity

The Private Equity division did not make any new investments during the period. The focus over the next 6-12 months will be confined to bolt-on acquisitions to the existing portfolio. The Manager has investigated a number of such investments during the period, and whilst those opportunities have so far been declined by the Manager, it is likely that such investments in the future will be earnings enhancing to the existing portfolio and help to achieve profitable exits.

The Investment Manager has historically had a conservative investment approach, with targeted EV/EBITDA valuations of less than 5.0x and low levels of leverage. This has helped significantly in weathering the recent economic storm. When valuing the portfolio at the year-end in January 2010, a prudent approach to valuation was taken due to the ongoing economic outlook. Whilst a number of write-ups could potentially have been justified at that time, the Manager took the view that the trading performance of the portfolio may decline and avoided such write-ups.

Having now weathered the worst of the recession, trading has picked up across the portfolio, and the Manager is cautiously optimistic that this trend will continue into the next few quarters.

Manager and Investment Style

EPIC Private Equity ("EPE"), founded in 2001, has completed 42 transactions and deployed £89 million of capital in £270 million of Enterprise Value. EPE aims to generate a strong yield through investment in mezzanine debt coupled with 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 in the latter take the form of significant minorities, generally no more than 29.9%.

The focus of the next 6-12 months will be on bolt-on investments to the existing portfolio to enhance profitability and exit value, and looking for profitable exits for each of the investments.

The current Private Equity portfolio consists of £9.6 million of Mezzanine, yielding between 9% and 12.0% (blended yield 11.0%) interest, and £17.2 million of Equity and Shareholder Loans, invested in 9 companies. Private Equity totals £26.8m which equates to 40% of EPIC plc's Gross Assets.

The businesses within the Private Equity portfolio are trading to expectations. The Private Equity portfolio was valued at the end of January 2010 on a prudent basis, in line with the standard BVCA guidelines.

Palatinate Schools Limited (21% of total PE funds invested, 8.5% of fund) is a schools group in central London, in which EPIC invested £3.0 million in mezzanine and £1.3 million 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 in excess of 10% per annum since 2004, and are forecasted at £8.6 million in the year to August 2010. EBITDA margins run at 28% on average, and the business continues to perform to expectations. Comparable companies would be Alpha, Cognita and Gems.

Pinnacle-psg Limited (18% of total PE funds invested, 7.3% of fund) is a social housing management company, in which EPIC invested £3.0 million of shareholder loans and equity in December 2001, as replacement and working capital. £1.0 million of shareholder loans have been returned. EPIC acquired a further 13.8% in September 2008 from Numis Corporation, and now holds 26.3% of the share capital. Core business sales are forecasted to reach £48.8 million in the year to March 2010 were, sales CAGR ("Compound Annual Growth Rate") from 2003 to 2009 has been over 25% and operating margin runs at around 6% on average. Comparable companies would be Inspace, Connaught, Parkwood Holdings and Tribal.

Nexus Limited (19% of total PE funds invested, 7.4% 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 £3.1 million in mezzanine and £1.2 million in equity and shareholder loans. EPIC owns 49.9% of the share capital. Sales have been stable since 2004, and are forecasted at £53 million for 2010 and EBITDA margin runs at around 8% on average. Masterplug, the retail supply business, performed more weakly than expected in the second half of 2009, whilst British General, the wholesale supply business, is showing signs of recovery. Comparable companies would be Electrium Ltd, GET plc (recently delisted), Schneider (acquired GET plc) and Legrand SA.

Indicia Group (20% of total PE funds invested, 7.9% of fund) is a buy and build strategy in the marketing services sector. EPIC originally invested £0.7 million in October 2006 to acquire the first business, Marketing Databasics, and has since acquired Results Europe in December 2006 and most recently, Entire, in March 2008, with the investment in the buy-and-build strategy now totalling £4.4m. Recent underperformance in the public markets is expected to provide significant opportunities for acquiring assets from the larger, listed, marketing services groups. The business achieved sales to 31st December 2009 of £7.9m, and is targeting operating margins of 9% for 2010. EPIC plc holds 49.9% of the equity. Comparables are marketing services businesses such as Cello Group, Chime, M&C Saatchi, Direct Marketing Group and Media Square.

Pharmacy2U Limited (4% of total PE funds invested, 1.7% 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 £0.25 million 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 to de-risk the initial position. Sales budget is £23 million for 2010, and sales have grown by over 30% 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, and Doc Morris in Europe.

Other investments (18% of total PE funds invested, 7.1% of fund) are Bighead Bonding, a small precision engineering business, Evolving Media, a digital media agency, Ryness, a high street and wholesale supplier of electrical goods and Driver Require, a temporary driver recruitment business. They are all currently performing to expectations with trading conditions improving in the quarter.

Specialist Funds

Key points in the quarter have been agreement on the restructuring of our investment in CCD Leisure Investments which is commented upon further below.

The Specialist Funds portfolio is targeted at diversifying assets to achieve non-correlated returns in excess of the Company's Libor + 3% per annum performance benchmark. The largest investments by market value are commented upon below.

EEA Life Settlement Fund ($4.2 million) is a Guernsey domiciled. Regulated Class B Fund listed on the Channel Island Stock Exchange and its objectives are to purchase, hold and manage a portfolio of US life settlements, provide a minimum benchmark return of 8% per annum and generate a consistent total net return of between 9% and 10% per annum. The Fund provides an opportunity to invest in an asset class that is wholly uncorrelated with traditional investments and continues to achieve consistent and stable returns. The Fund continues to enjoy positive price movements with 48 months of continuous growth.

CCD Leisure Investments ($2.7 million) has been set up to invest in prestige holiday developments in emerging destinations. The first investment has been into the popular emerging tourist destination of Grenada which is located south of the usual hurricane path and whose tourist industry remains relatively undeveloped. The land for the project was bought cheaply and potential returns therefore should remain high. A small number of major players, such as Four Seasons Hotel Resorts, have highlighted the Island as an attractive emerging destination with direct flights from London and Frankfurt. Properties are priced at a fraction of its better known competitors in the Caribbean and the Island has strong potential for boutique and eco-sensitive development. ERA's and CBRE's research and analysis suggested a significant price uplift would be achieved even in the present financial climate. Notwithstanding this we have previously marked down our investment by $500,000 (15%) to be prudent. In the last quarter we have agreed the restructuring of our investment, by the introduction of a new co-investor. We believe these steps will make it easier to realise our investment over the next 2 yrs. The restructuring should make the project further advanced, fully funded, and will facilitate the purchase of further land required, in addition to a small cash return to the fund.

Jupiter Hyde Park Hedge Fund Limited (£1.1 million). Jupiter Hyde Park Hedge Fund Limited is an open-ended limited liability company incorporated in Bermuda. The fund is run by Philip Gibbs and is mandated to invest in a wide range of international investments. The fund enjoyed a marked long-term out-performance.

Market Data

	101.5 months since launch
Capital Shares	-79.55%
FTSE All Share Index	2.70%
NAV	-44.40%
Benchmark	89.20%

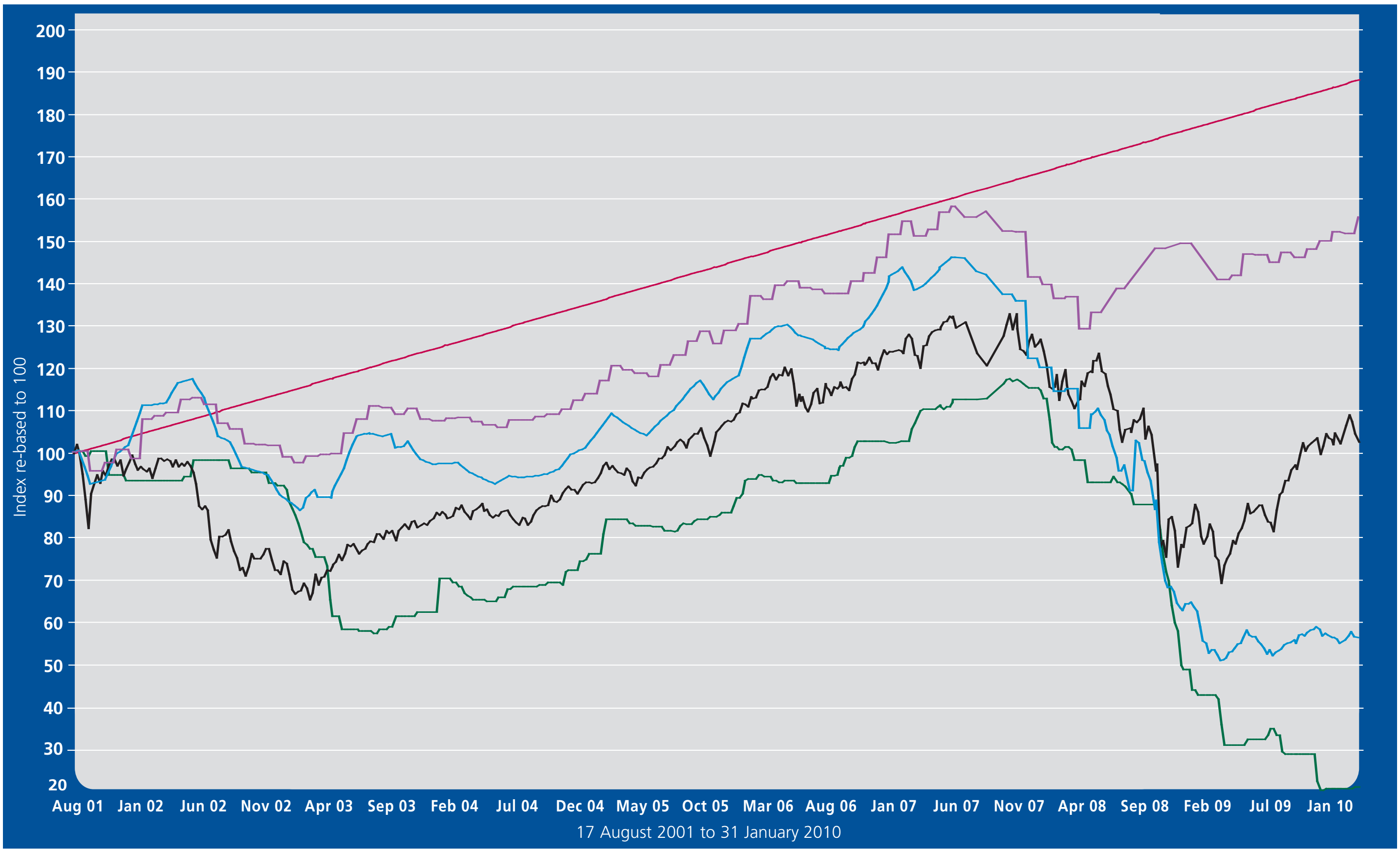
Largest Investments

Largest Investments as at 31 January 2010	Cost	Market Value	% of total investments
Pinnacle Regeneration Group Limited	4,920,717	4,921,008	7.84%
Nexus Industries Limited*	6,470,830	4,548,446	7.25%
Alpha Real Estate GmBH 8% February 2010*	3,446,137	4,337,002	6.91%
Indicia*	4,281,889	4,281,889	6.82%
Palatinate Schools*	4,250,000	4,250,000	6.77%
Diploma Plc	1,860,225	3,422,102	5.45%
Lupus Capital Plc	5,600,723	2,684,928	4.28%
EEA Life Settlement Fund (USD)	1,579,269	2,610,424	4.16%
CCD Leisure Investments Limited*	2,188,834	2,241,248	3.57%
Evolving Media Limited*	2,011,908	1,769,616	2.82%
Matchtech Group Plc	1,846,705	1,667,500	2.66%
Bighead Holdings Limited*	1,411,054	1,411,054	2.25%
Dialight Plc	1,731,324	1,354,075	2.16%
Jupiter Hyde Park Hedge Fund Limited	1,000,000	1,166,063	1.86%
Pharmacy 2U Limited	96,342	1,140,245	1.82%
Total of Largest 15 Holdings	**42,695,958**	**41,805,601**	**66.62%**
Other investments	**28,323,052**	**12,286,178**	**19.59%**
BGI Sterling Liquidity Fund and Cash deposits	**8,651,311**	**8,651,311**	**13.79%**
	79,670,320	**62,743,089**	**100.00%**

* denotes debt instruments, principal. EPIC PLC classifies debt instruments separately from equity and interest owing to the differing risk characteristics and security of these asset classes. EPIC PLC may also hold equity in these companies.

Capital Share Price
Capital Share NAV
Benchmark (Libor + 3%)
FTSE All Share Index
NAV + Inc NAV (Div Reinvested)

Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 31 January 2010 - re-based to 100)



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