The Equity Partnership
Investment Company PLC

OCTOBER UPDATE

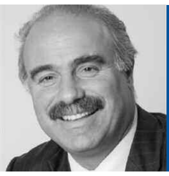
Stock Codes	Capital Shares	Income Shares	ZDP Shares
Topic	EQPC	EQPI	EQPZ
Bloomberg	EQPC LN	EQPI LN	EQPZ LN
Reuters	EQP.L	EQPi.L	EQPZo.L
ISIN	GB0030735483	GB0030735376	GB00B114S147

31 October 2009	Capital Shares	Income Shares	ZDP Shares
Mid Price	19.50p	79.25p	124.50p
NAV	55.32p	99.56p	123.23p

Issue twenty-four

October 2009

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:	£69.63m	
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	

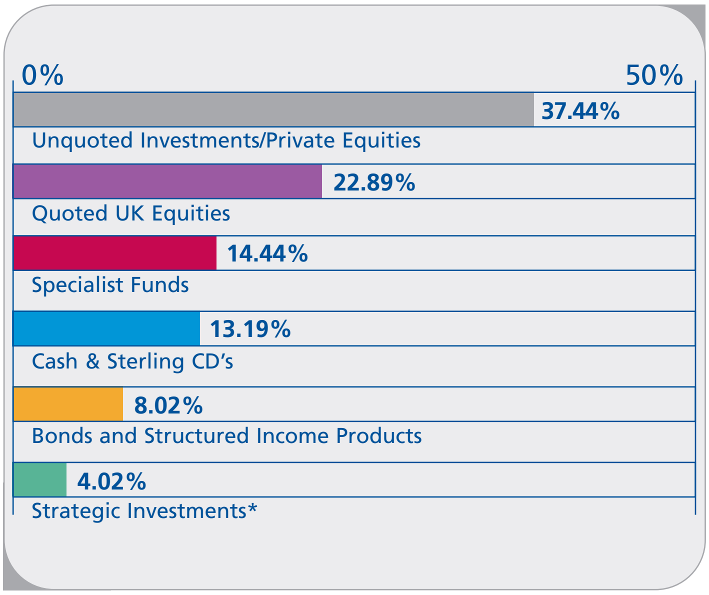
Investment Objective

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 October 2009



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

Contact

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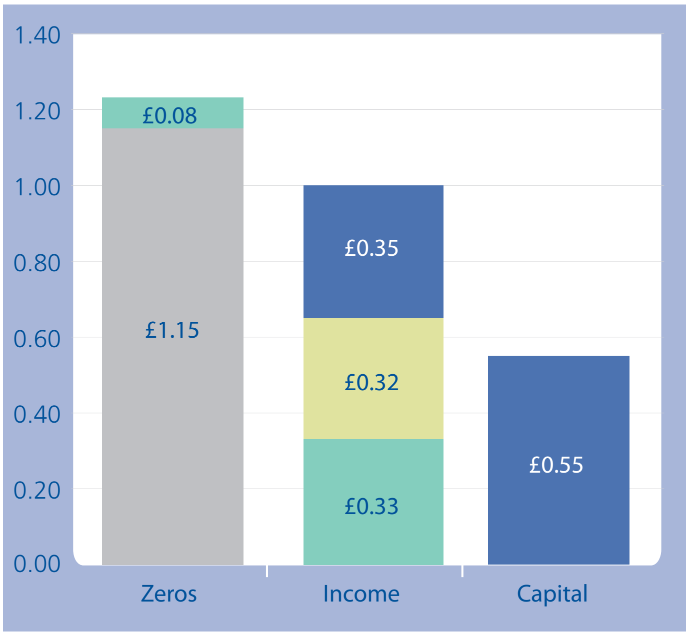
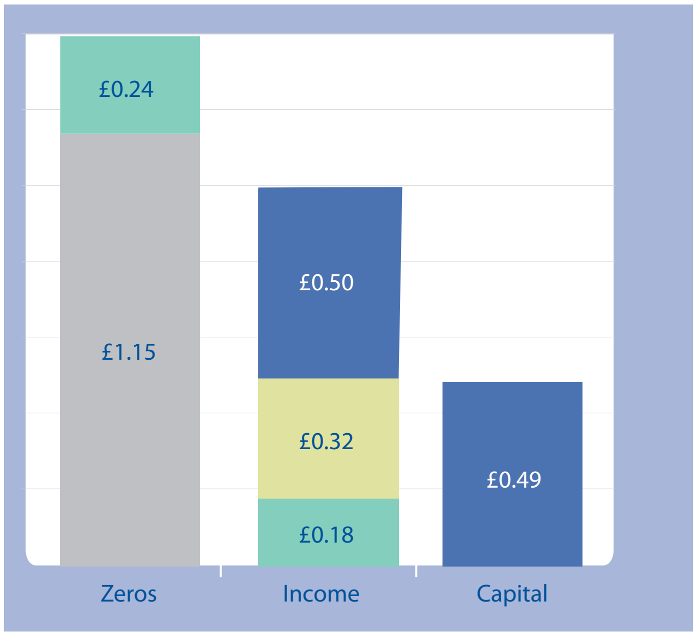
Current Entitlements 31/10/09 (pence per share)



Final Entitlements 31/10/09 (pence per share)



Liquid
Semi-Liquid
Dated Loan Stock
Illiquid

As the Company moves into the final two years of its initial life the quarterly reports will have a growing 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 (grey) and most liquid category includes cash, quoted equities and open ended funds which are considered readily realisable.
- Semi-liquid (green) 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 (yellow) 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, the (blue) signifies 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

Alongside the further improvements witnessed in financial assets over the quarter, the housing market's improvement also continued, and our leading indicators suggest that such a trend will probably persist for the time being. The Bank of England extended the remaining scope of its 'quantitative easing' programme in August to a further £50bn, taking the full anticipated extent of the scheme to a total of £175bn, although further extensions cannot be ruled out.

Notably, three members of the MPC wanted to augment the programme to £200bn. Effectively, this represented a further easing of monetary policy, the equivalent, in normal circumstances, of a rate cut. Although RPI inflation has been negative year-on-year for some months, CPI has not fallen as much as the market consensus expected, running currently at 1.1% headline and at 1.7% core. However, given the extreme extent of the spare capacity which has opened up in the economy, we continue to believe that the underlying forces are profoundly deflationary and should see core move much closer to zero of the next year.

Economic data in August in the US showed an encouraging picture with only a very mild rate of decline in manufacturing activity, the gauge rising to an 11-month high of 48.9 (50 represents the threshold between expansion and contraction). The 'cash for clunkers' program appears to have helped to boost demand for cars and this fed through to factory orders. Residential construction also showed a gain with a larger than expected increase in new home sales during July. Business confidence also improved, but income growth and retail sales were weak. The drag on earnings growth from past rises in unemployment became more apparent with weak personal income and hourly earnings figures, while July's non-farm payrolls result surprised the market positively with a lower than expected fall of 247k bringing the unemployment up to 9.4%. The reduction in inventories continued in June at a faster rate, with companies reducing inventory and managing expenses in line with sales, supporting the argument that the inventory restocking will be a positive contributor to output growth later in the year. The Fed decided to keep rates unchanged once again on the 12th August, stating that, 'economic activity is levelling out and conditions in financial markets have improved further in recent weeks'. Retail sales continue to be constrained by ongoing job losses, lower housing wealth and tight credit, although improving confidence will aid in the recovery of consumption expenditure going forward. The late increase in the price of energy and other commodities is unlikely to feed through to the headline figure any time soon as substantial resource slack is likely to dampen these cost pressures.

Underlying activity data in Europe became more positive at the start of the quarter, as exemplified by strong new orders data, and were underpinned by gains in many confidence surveys, including a very large rise in the ZEW index to 54.9, which more than reversed the previous month's unexpected dip. While optimism should be constrained by a very strong Euro, recently nudging against 12 month highs versus the US Dollar, and an unemployment rate which continues to rise, it is impressive that GDP in the 2nd quarter outperformed that of the UK, despite the Euro area's much smaller degree of fiscal stimulus.

The rate of increase of unemployment, which tends to respond to GDP with some delay, remained roughly the same as in recent months, although we have reason to believe that labour market will respond more positively to a pick-up in economic growth this time around than in previous cycles. This is due largely to the unusually aggressive slashing of headcount which occurred as growth declined and turned negative several quarters ago. No changes were forthcoming in monetary policy, which remains characterised by the continuation of quantitative easing for now, as extended in August. Whether or not a further extension is agreed in November remains unknown.

September saw a string of weak economic data in the US which sent tremors through capital markets, as fears over the speed of recovery being slower than expected pushed equity markets and treasury yields down at the start of the month. Other highlights were the G20 summit and the sixth FOMC meeting of the year. The month started with strong manufacturing survey data signalling the start of a recovery in the sector, with the reading for August coming in above 50 signalling an expansion. The recovery in the housing market continued with encouraging home sales figures for July. The FOMC decided to leave base rates at 0-0.25% emphasising prolonged periods of low interest rates for the future, but also said that they will reduce the pace of the mortgage backed securities and housing agency bond purchases and end the $1.5trn program three months later than had originally been scheduled. At the G20 summit global coordination frameworks were discussed to limit financial services bonus payments and establish guidelines to change the timing and form of payment in the future. Business inventories have continued to be reduced as industrial production has remained weak, and durable goods orders dipped back into negative territory month on month growth in August. However, there should be strong contributions from exports, inventory rebuilding, government spending and perhaps residential construction in the forthcoming quarters.

Underlying activity data in Europe continued to become slightly more positive mid quarter, although at a more gradual rate than in previous periods. While most surveys were slightly up, and current account data were surprisingly strong, retail sales and industrial orders remain weak, while ECB members have become a little more vocal regarding their concerns about the strength of the Euro. Revised 2nd quarter GDP numbers were broadly as expected, albeit with a somewhat less negative contribution than expected from the investment component.

Towards the end of the reporting quarter Q3 real GDP figures were released for both the US and the UK, with the US reporting a 3.5% increase for Q3 (annualised), which was better than the market expected and which compared with the Q2 figure of -1.0%. The growth was led by consumer spending, aided by the cash for clunkers program and other housing related government stimuli and the restocking effect of businesses. Automobile output added 1.6% of GDP increase, whilst housing, up 23%, contributed 0.5%. The Fed is still talking about leaving the QE program in place but has begun to discuss exit strategies. However it is more likely that the QE and liquidity measures are reduced first before we see any form of traditional monetary tightening.

In the UK, Q3 real GDP was disappointingly weak, at -0.4% annualised compared to business survey data, which suggested a small positive change from Q2. As a result Quantitative Easing is likely to be expanded at the November meeting by £25-50bn. Mervyn King has reiterated his fear regarding the lack of bank lending and the withdrawal of foreign banks from the UK market. He has also resorted to talking the currency down as an alternative to QE. The low mortgage rates, continuing house price stability and moderation of job losses means that growth in disposable/discretionary income may divert from savings to consumption. With base rates at 1/2%, and 3 month LIBOR at 0.60%, this may facilitate easier and more competitive lending to the housing market. Gilt yields are being held low by very large Bank of England purchases of gilts, which once the QE program is reversed we expect yields to rise.

Eurozone Q2 real GDP was released at -0.2%, -4.8% yoy. Weaker than expected, as consumer spending, investments and exports were all weaker than previously reported. The positive news was that both France and Germany emerged from recession. The likelihood is that the zone returned to growth in Q3. If the Eurozone recovers from the recession in Q3, this will be despite very strong currency and negligible fiscal stimulus. Low debt levels and prospective tax cuts leave the region less 'burdened' in its recovery than the US and UK.

Consumer and business confidence is rising and combined with monetary and fiscal stimuli should ensure recovery. The banking system is not, in general, as broken as those in the UK and US, but recovery will be slow. ECB's governing council continues to emphasise the prospect of an 'uneven', gradual recovery and recognises the importance of easy financial conditions, indicating caution regarding the withdrawal of liquidity measures next year before beginning to raise the Repo rate.

Despite recent tightening corporate spreads still remain attractive. Still above historic wides in past credit cycles. Sterling covered bonds seem particularly attractive. Equity markets in the UK, namely the FTSE 100, appreciated by 9.5% during the quarter. With economies emerging from recession, markets will begin to anticipate the reversal of 'super easy' monetary policy. A broken banking system, however, means that central banks will hold rates low until convinced of recovery. Thus, the yield curve will steepen, whilst cash returns will remain unattractive. As QE is reversed, so Central Banks will have to eventually sell the bonds that they have been purchasing, creating excess supply of bonds at a time when markets will be focusing upon economic growth and recovery, combined with the need by Governments to fund historically high budget deficits. All these factors will prove negative for bond prices and manifest themselves in higher bond yields.

Quoted Equity

The FTSE All Share Index gained 9.8% during the period. Corporate performance continued to match or exceed expectations although this was usually the result of cost cutting and currency benefits rather than sales growth. Blood bank specialist Cryo-Save attracted new buyers after a short consolidation and Amsterdam listing allowing further profitable realisations for EPIC. North Sea gas producer Venture Production was bid for by Centrica and fund manager F&C Asset Management was sold. EPIC's long battle to generate a positive return from its 16% stake in ailing building supplier Heywood Williams ended in September when the entire holding was sold at a substantial loss. In October Heywood Williams was placed in administration.

Kyrgyzstan gold miner Aurum confirmed that it had sold the bulk of its Andash project leaving the company as a cash shell with a residual 10% carry in the project. EPIC increased its stake in the company to over 10%. New holdings were taken in European telecoms provider Colt, North Sea junior explorer Encore and international communications provider Huntsworth.

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 July 2009, a prudent approach to valuation was taken due to the ongoing poor 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.

The current Private Equity portfolio consists of £8.4 million of Mezzanine, yielding between 9% and 12.0% (blended yield 11.0%) interest, and £18.7 million of Equity and Shareholder Loans, invested in 9 companies. Private Equity totals £27.1 million which equates to 39% 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 July 2009 on a prudent basis, in line with the standard BVCA guidelines, and in the context of the recession. The current performance of the portfolio is in line with those valuations, and whilst it would not be prudent to make any write-ups until the economic outlook has improved, no further write-downs are currently anticipated.

Palatinate Schools Limited (21% of total PE funds invested, 8.1% 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 were £8.9 million in the year to August 2009. EBITDA margins run at 30% on average. The business continues to perform to expectations. Comparable companies would be Alpha, Cognitas and Gems.

Pinnacle-psg Limited (18% of total PE funds invested, 7.1% 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, and now holds 26.3% of the share capital. Core business sales achieved to March 2009 were £46.4 million, sales CAGR ("Compound Annual Growth Rate") from 2003 to 2008 has been 28% and operating margin runs at around 6% on average. Comparable companies would be Inspace, Connaught, Parkwood Holdings and Tribal.

Nexus Limited (18% of total PE funds invested, 7.0% 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, are forecasted at £50 million for 2009 and EBITDA margin runs at around 8% on average. Masterplug, the retail supply business, is performing particularly strongly ahead of budget, whilst British General, the wholesale supply business, is performing less strongly. Comparable companies would be Electrium Ltd, GET plc (recently delisted), Schneider (acquired GET plc) and Legrand SA.

Indicia Group (19% of total PE funds invested, 7.3% 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 £4.4 million. Recent underperformance in the public markets is expected to provide significant opportunities for acquiring assets from the larger, listed, marketing services groups. The business is forecasting sales to 31 December 2009 of £8.0 million, and is targeting operating margins of 15%. Comparables are marketing services businesses such as Cello Group, Chime, M&C Saatchi, Direct Marketing Group and Media Square.

Pharmacy2U Limited (4.0% of total PE funds invested, 1.6% 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 £20 million for 2009, sales have grown by 37% 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.

Ryness Electrical Supplies Limited (4.0% of total PE funds invested, 1.5% of fund) supplies electrical goods via high street, wholesale and internet channels. EPIC originally invested £0.7 million to acquire the company. Sales mix strategy has shifted towards wholesale (c.50% of sales) with the acquisition in August 2008 of Lama Electrical Limited, a wholesaler with two outlets in West London. The acquisition was funded with £0.4 million bank debt and a further £0.1 million from EPIC, bringing total funds invested to £0.9 million including rolled-up interest. EPIC owns 29.9% of the share capital. In September the company acquired a further wholesale outlet funded via cash flow. The business is performing well despite challenging retail conditions, with sales for the year ending 30 September 2009 at £9.4 million. Comparable companies are Maplin and Robert Dyas.

Other investments (16% of total PE funds invested, 6.4% of fund) are Bighead Bonding, a small precision engineering business, Evolving Media, a digital media agency, 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 the further prudent write-down of real estate based investments such as CCFM Bristol & Stone Baltic Property. Similarly because of continued uncertainty regarding the delivery of the Avarae Global Coins PLC shares by Landsbanki we have, as a matter of prudence, written this holding down to nil, however, we are still pursuing recovery from Landsbanki.

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 ($4.1 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 47 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 has been bought cheaply and potential returns therefore 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 suggests a significant price uplift can be achieved even in the present financial climate. Notwithstanding this we have previously marked down our investment by $500,000 (15%) to be prudent.

Jupiter Hyde Park Hedge Fund Limited (£1.2 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. Although volatility has picked up significantly over the past year, the fund enjoyed a marked long-term out-performance and has consistently shown a low level of correlation with equity markets in general.

Strategic Investments

Within the Strategic Investment Portfolio, Syndicate Asset Management has announced a further capital raising which will strengthen the balance sheet and provides additional regulatory capital which may be required in the future.

The entire holding in Strand Partners was sold in October for a price above our carrying value. As a result, in terms of the liquidity analysis on page 2 £975,000 has moved from the illiquid (blue) category into cash (grey).

Market Data

	98.5 months since launch
Capital Shares	-80.30%
FTSE All Share Index	-0.23%
NAV	-42.40%
Benchmark	87.15%

Largest Investments

Largest Investments as at 31 October 2009	Cost	Market Value	% of total investments
Pinnacle Regeneration Group Limited	4,920,717	4,921,008	7.81%
Nexus Industries Limited*	6,470,830	4,548,446	7.22%
Alpha Real Estate GmBH 8% February 2010*	3,446,137	4,475,514	7.10%
Palatinate Schools Holdings Limited*	4,250,000	4,250,000	6.74%
Indicia Limited*	4,220,000	4,220,000	6.69%
Diploma Plc	2,022,072	3,438,506	5.46%
EEA Life Settlement Fund (USD)	1,579,269	2,503,126	3.97%
Syndicate Asset Management Plc Loan Note 6%*	2,502,450	2,502,450	3.97%
CCD Leisure Investments Limited*	2,188,834	2,194,799	3.48%
Matchtech Group Plc	1,974,064	1,836,750	2.91%
Evolving Media Limited*	1,939,408	1,697,116	2.69%
Lupus Capital Plc	5,586,876	1,667,607	2.65%
Bighead Holdings Limited*	1,411,054	1,411,054	2.24%
Jupiter Hyde Park Hedge Fund	1,000,000	1,171,859	1.86%
Pharmacy 2U Limited	96,342	1,140,245	1.81%
Total of Largest 15 Holdings	**43,608,053**	**41,978,480**	**66.60%**
Other investments	**31,966,714**	**12,742,767**	**20.21%**
BGI Sterling Liquidity Fund and Cash deposits	**8,311,334**	**8,311,344**	**13.19%**
	83,886,101	**63,032,581**	**100.00%**

* denotes debt instruments

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 October 2009 - re-based to 100)

IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP. Telephone +44 (0)1624 681250 - Fax +44 (0)1624 681392. Registered in The Isle of Man Number 103447C at the above address. The Equity Partnership Investment Company PLC is listed on the London Stock Exchange and is managed by EPIC Asset Management Limited and EPIC Private Equity LLP.