

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

31 July 07	Capital Shares	Income Shares	Warrants	ZDP Shares
Mid Price	111.75p	117.25p	N/A	105.75
NAV	136.75p*	102.86	N/A	108.31

*Fully diluted unaudited Managers estimated July 2007 NAV

Issue fourteen

July 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:	£96.4m
Capital Structure:	Capital Shares: 40,304,312
	Income Shares: 20,736,333
	Warrants: N/A
	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, DC McCrickard, P Keltie, M Richardson, PP Scales
Winding up Provisions:	31 July 2011
Annual Management Fee:	1%
Brokers:	Teather & Greenwood

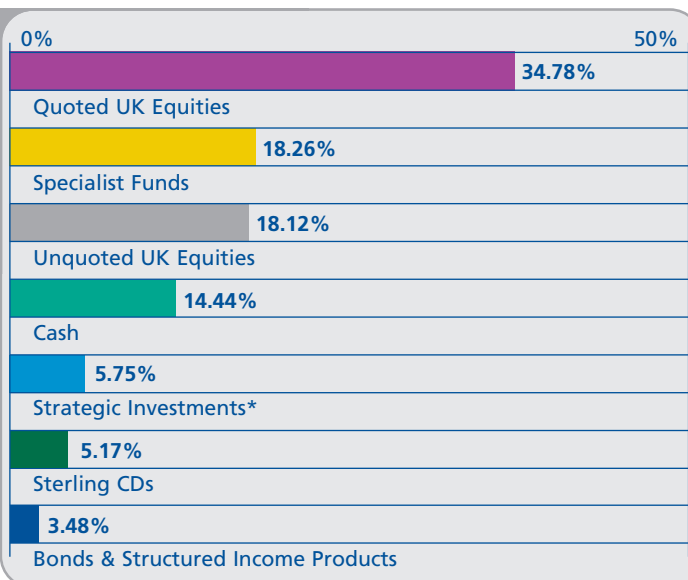
Investment Objective

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 31 July 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

In the UK, economic conditions have remained much the same as at the time of the last report, with evidence of a build up in domestic capacity pressures that has been underpinned by a recovery in manufacturing as well as the continued housing market strength.

Together with a near 25% increase in global oil prices and higher food prices, these factors led both inflation and interest rate expectations to rise over the period. Hence, as the earlier forecasts of a prompt decline in the rate of inflation to its 2% y/y target level looked increasingly less likely to materialise, the MPC raised the UK Base Rate to 5.75% in July. Against this backdrop UK Gilt yields across the yield curve moved markedly higher, reaching a seven year high, and our decision to remain overweight in cash relative to bonds protected the Fund from capital losses.

At the time of writing, financial market conditions have deteriorated as a number of uncertainties regarding the outlook for the US housing market and fears for a possible contagion that have prompted a flight to quality assets. This has been at the expense of the equity markets and has enabled bonds yields to move back down to levels seen earlier in the year. However, we believe that the economic fundamentals remain largely intact and with inflation likely to remain above its target rate, in the absence of sustained loss in equity markets that could hamper business confidence the possibility for further modest monetary tightening exists. Bond yields may therefore return to their recent highs, at which point if we see clearer signs of a moderation in the risks to the inflation outlook we may consider introducing an allocation to **bond investments**.

The FTSE All Share Index lost 2% during the period. This apparent calm masked a growing aversion to risk as concerns about sub-prime lending and credit quality grew. Valuations of smaller UK companies suffered and EPIC's exposure to this area of the market impaired performance during the quarter. Good gains in process engineer Invensys and bids for Amstrad and Revenue Assurance were more than offset by dull performances from Aurum Mining, Diploma, DTZ, Lupus Capital and Wagon. This disappointing end to the year for **UK Equities** was compounded by the loss of £0.5 million on Torex when the administrator could not achieve a satisfactory sale price. During the quarter profitable realisations were made in oil service company Hunting and employment agency Matchtech. New holdings were purchased in building company Eleco, component distributor Electrocomponents and specialist retailer Findel.

After an active period within the **Specialist Fund** portfolio the past three months has been relatively quiet. Some profits have been taken in Clean Energy Brazil and we have increased the Company's exposure to European Equity Tranche Income Limited which continues to suffer from negative market sentiment relating to the sub-prime loans - an area to which the fund is not exposed.

cont. on next page

Largest Investments

	% of total investments
Lupus Capital Plc	5.79%
Alliance & Leicester Grp 5.66pct 20 Aug 2007 Sterling CD	5.75%
Diploma PLC	5.03%
Palatinat Limited	4.75%
Nexus Industries Limited	4.07%
Alpha Real Estate GmbH 8pct 11 Feb 2010	3.76%
Invensys Plc	3.59%
Jupiter Hyde Park Hedge Fund	3.12%
Revenue Assurance Services PLC	3.09%
DTZ Holdings PLC	2.84%
SAM PLC-EPIC Loan Note	2.79%
Pinnacle-psg Limited	2.68%
Off Market Properties	2.48%
Prudential PLC	2.27%
AHG Trading Genussscheine	2.26%
Total of 15 largest investments	54.28%

Manager's Commentary cont.

The proportion of the Fund invested in Specialist Funds has increased to 18.26% and we continue to research non-correlated investments that meet the Company's return criteria with a view to increasing the allocation further.

The **Private Equity** division has completed the acquisitions of Keatings, a printing cylinders and media business and CMC, a producer of specialist metallic coatings. EPE aims to generate a strong yield through investment in mezzanine debt coupled through significant capital appreciation by investing in equity stakes.

Palatinate Schools, Pinnacle-psg Limited and Nexus Limited are all

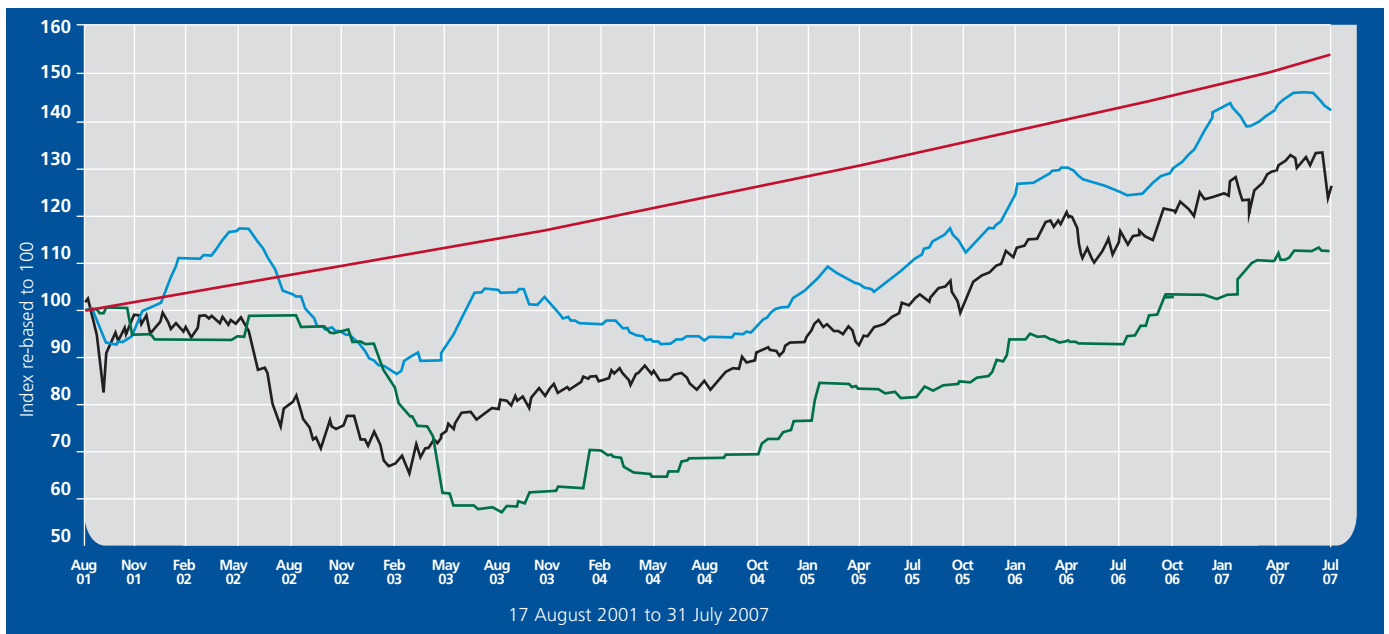
performing in line with budget. Pharmacy2U Limited, the online pharmacy business, is performing strongly and has been written up again following a third party transaction in the equity. Kilgour French & Stanbury Limited, the Saville Row tailor, is also being written up following sustained profitable growth since investment. Indicia, the database management business, has been written up following the acquisition of Results UK which adds significant profit to the group. Other investments are performing in line with expectations; Bighead Bonding, the precision engineering business, and Ryness Electrical, the electrical retailer.

Market Data

	71.5 months since launch
Capital Shares	12.88%
FTSE All Share Index	26.99%
NAV	42.39%
Benchmark	55.19%

Share Price and NAV Performance vs Benchmark
(from 17 August 2001 to 31 July 2007 - re-based to 100)

- Capital Share Price
- Capital Share NAV
- Benchmark (Libor + 3%)
- FTSE All Share Index



Source: Bloomberg

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