



# APRIL UPDATE

Stock Codes	Capital Shares	Income Shares	Warrants
Topic	EQPC	EQPI	EQPW
Bloomberg	EQPC LN	EQPI LN	EQPIW LN
Reuters	EQPL	EQPIL	EQP_t.L
ISIN	GB0030735483	GB0030735376	GB0030735269

30 April 2006	Capital Shares	Income Shares	Warrants
Mid Price	92.50p	122.25p	7.50p
NAV	125.24p	N/A	N/A

Issue eleven

April 2006

## 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:	£84.88m
Capital Structure:	Capital Shares: 34,561,666 Income Shares: 20,736,333 Warrants: 6,912,333
Bank Loan:	£13.75m over 5.5 years fixed at 6.70% pa repaid April 2006
Year End:	31 July
NAV:	Monthly
Directors:	Dr C McPhail, DL Adamson, DC McCrickard, C O'Keeffe, M Richardson, PP Scales
Winding up Provisions:	31 July 2011
Annual Management Fee:	1%
Brokers:	Teather & Greenwood

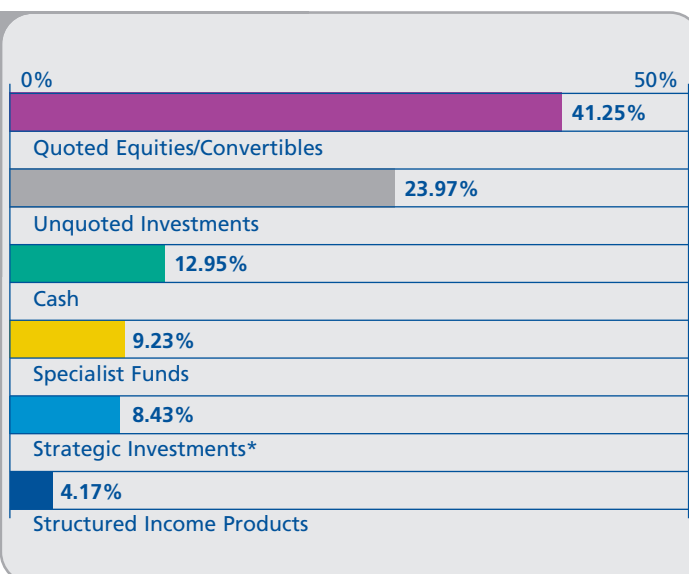
## Investment Objective

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 2006



\*EPIC Investment Partners Limited, Strand Partners Limited, EPIC Specialist Investments Limited  
Note: figures do not include the exposure to EPIC Securities PLC

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## Manager's Commentary

At the start of the period, UK economic activity was rather subdued led by loose labour market conditions that weighed heavily on consumer confidence and retail sales growth. However, as the housing market gained momentum based on indicators of activity and housing affordability, market expectations for a cut in interest rates dissipated despite having been feasible at the time of the last report.

Furthermore, the prices components of the Chartered Institute of Purchasing and Supply surveys measuring pricing in both the manufacturing and services sectors also increased, suggesting that the risks to inflation had risen. As such, sterling denominated bond yields moved markedly higher over the quarter and returns to fixed income securities were consequently disappointing. Nevertheless this justified the manager's decision to avoid bond investment in the Fund.

Looking ahead, whilst the outlook for housing remains upbeat, we do not expect domestic consumption to mirror gains in asset prices, given spare capacity in the labour market and the potential for a rise in savings. Whilst the market now expects the Bank to enact multiple interest rate rises in 2006, we believe that growth is unlikely to meet the Bank of England's projections making it more difficult to justify monetary tightening. This will be bullish for sterling denominated bonds as the market moves back to anticipating no change in UK Base rates. However, at this time bond yields still offer very little capital protection against any further bond market sell-off that may be prompted by the arrival of higher inflation in the near term. Therefore, we continue to be defensively positioned.

The FTSE All Share Index gained 5% during the period. The rise was fuelled by easy money conditions, good corporate profitability and takeover activity. EPIC continued to profitably reduce the size of its large **quoted equity** holdings in Diploma and DTZ. M J Gleeson received a bid approach allowing EPIC to sell 70% of its holding realising a good profit. EPIC tripled its holding in Lupus Capital following a large acquisition by the company. New holdings were started in aviation services and non-woven materials group BBA and household products group McBride.

We have had an active quarter within the **Specialist Funds** portfolio. The holding of the Japanese Treasury Fund was sold at a useful profit and part of the proceeds switched into Deutsche Land - a fund exposed to high yielding German properties. Following a period of substantial out-performance we also took profits from our holding in Climate Exchange. Our most recent purchase is a holding in European Equity Tranche Income, a new closed-end high yielding fund investing in the equity tranches of securitisations - primary residential mortgaged-backed securities issued by European financial institutions.

The past quarter has continued to see strong deal flow for the **Private Equity** division and there is a healthy pipeline of potential new opportunities under investigation. EPIC has now completed the secondary management buyout of Ryness, with Andrew Lindsey, formerly of Goldman Sachs, leading the new management team. EPIC's mezzanine has now been repaid but the fund retains its 29.9% share of the equity. The investment in Vinopolis, purchased in October 2002, was sold in April for 2x the in-price.

Our two **strategic investments** continue to perform well. Strand Partners has had another particularly good year with an ever widening source of business introductions. This should allow the payment of another substantial dividend to shareholders. The 2006/7 year (March 30 year end) has got off to a storming start with significant fees invoiced in the month. EPIC Investment Partners has had a busy first quarter for calendar 2006 and although timing remains uncertain the management are confident of attracting significant new mandates through the calendar year.

## Market Data

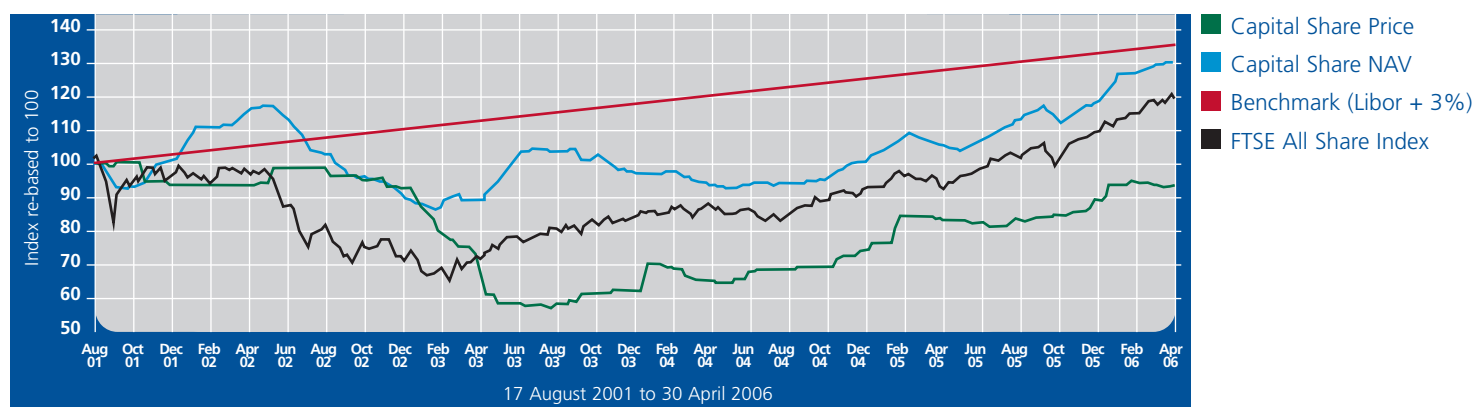
	56.5 months since launch
Capital Shares	-6.57%
FTSE All Share Index	18.67%
NAV	30.41%
Benchmark	40.98%

## Largest Investments

	% of total investments
EPIC Investment Partners Limited*	7.27%
DTZ Holdings PLC	6.25%
Palatinate Ltd DDB	5.85%
Diploma PLC	5.22%
Communitas DDB	4.87%
Alpha Real Estate GmbH 8% 11/02/2010	4.77%
Nexus Industries Ltd DDB	4.30%
Jupiter Hyde Park Hedge Fund	3.88%
Heywood Williams Group PLC	3.52%
Hunting plc	3.36%
Gleeson (MJ) Group PLC	3.16%
Invensys plc	2.96%
Wagon plc	2.83%
Pinnacle-psg Limited	2.75%
BBA Group plc	2.63%
<b>Total of 15 largest investments</b>	<b>63.63%</b>

\* Valuation frozen as at 31 December 2004

## Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 30 April 2006 - re-based to 100)



Source: Bloomberg

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