

OCTOBER UPDATE

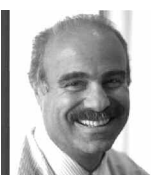
Stock Codes	Capital Shares	Income Shares	Warrants
Topic	EQPC	EQPI	EQPW
Bloomberg	EQPC LN	EQPI LN	EQPIW LN
Reuters	EQPL	EQPiL	EQP_t.L
ISIN	GB0030735483	GB0030735376	GB0030735269

31 October 2004	Capital Shares	Income Shares	Warrants
Mid Price	68.5p	118.5p	11.0p
NAV	92.07p	N/A	N/A

Issue eight

October 2004

Fund Manager: The Equity Partnership Limited (EPL)



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 The 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:	£70.24m
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
Year End:	31 July
NAV:	Monthly
Directors:	DC McCrickard (Chairman) DL Adamson, V Campbell M Richardson, JMP Welman
Winding up Provisions:	31 July 2011
Annual Management Fee:	1%
Brokers:	Teather & Greenwood

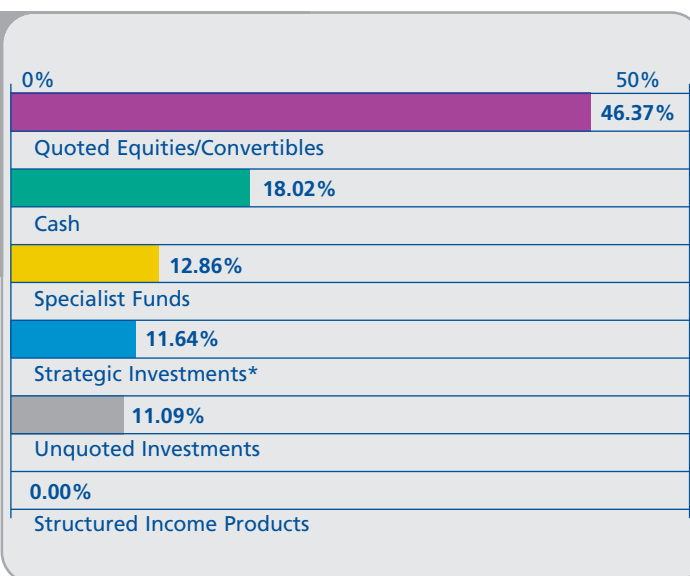
Investment Objective

The Company invests 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 2004



*The Equity Partnership Limited, Strand Partners Limited, EPIC Specialist Investments Limited

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Manager's Commentary

Falls in leading indicators of activity in the third quarter of 2004 brought with them downward revision to expectations for growth and interest rises across major world economies. Whilst the MPC continued to raise UK base rates in line with our forecasts, to reach 4.75% by August, the subsequent rally in UK Gilts buoyed bond returns above those available from cash securities over the period.

Looking ahead however, EPIC believe that at such low levels of yield the incentives to invest in UK **fixed income** securities are vastly reduced since they remain not only below currently available cash rate but also provide very little capital protection in the event of a sell-off. With growth expected to rebound in 2005, and provided that the MPC do not raise base rates in the interim, EPIC intend to remain defensively positioned until bond yields return to levels sufficient to achieve the fund's benchmark return.

The FTSE All Share Index enjoyed a good quarter with gains of nearly 5%. EPIC's **quoted equity** portfolio made useful progress despite a listless performance from the major new holding in BT. Specialist food manufacturer Uniq rose by 50% after receiving two tentative bid approaches, and Indian mineral processor Vedanta by 25% as metal prices surged. Medium sized new positions in British Vita, MFI and UK Coal were opened during the quarter.

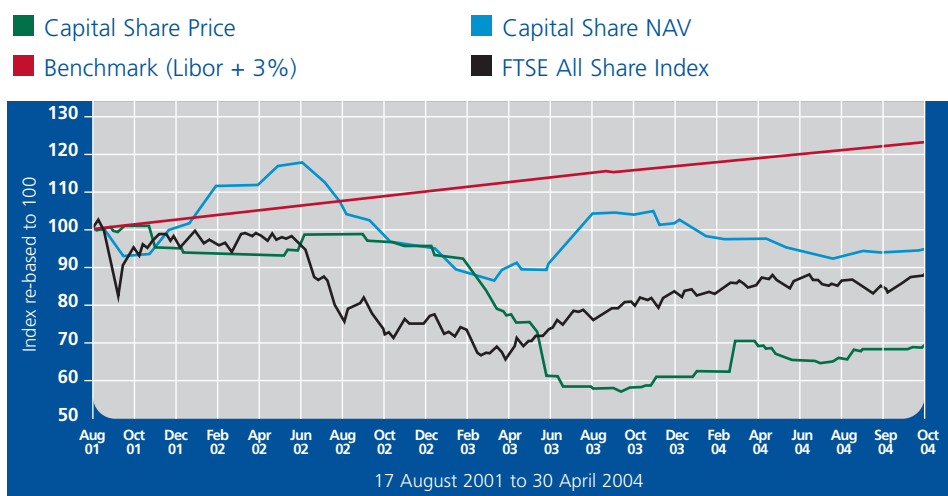
The past quarter has seen EPIC complete an investment in a company called Independent

Living, an unquoted company offering residential homes for people with learning disabilities. In 2004, turnover was circa £3.5 million. EPIC purchased a minority equity stake for £0.3 million. The other Portfolio companies have continued to perform well over the past quarter.

The **Equity Partnership** is on track for another satisfactory year and is likely to exceed its budgeted income. On the new business front, EPIC Asset Management currently has several proposals out to prospective clients and the "hit rate" is promising. The overall performance of both the equity and bond portfolios has been very satisfactory for the year to date.

The investment in the **Sunrise CDO** was written down to nil prior to the year end. This was based upon our prudent estimation of the impairment of the underlying collateral within the CDO. In October the zero coupon bond issued by CSFB USA was sold, releasing funds which it was judged could be better utilised in other investments.

Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 31 October 2004 - re-based to 100)



Source: Bloomberg

Market Data

	39.5 months since launch
Capital Shares:	
FTSE All Share Index	- 11.00%
NAV	- 4.41%
Benchmark	+ 23.89%
Share Price*	- 30.81%
*Opening share price net of commission at 99p	

Largest Investments

	% of total investments
Equity Partnership Limited*	8.04%
BT Group PLC	6.71%
Diploma PLC	5.48%
Gleeson (MJ) Group PLC	3.87%
EPIC Brand Investments	3.75%
Strand Partners Limited	3.61%
Lloyds TSB Group plc	3.11%
Blueheath Holdings plc	3.03%
Heywood Williams Group PLC	2.92%
JSS Pinnacle Group Limited	2.88%
Uniq PLC	2.87%
Jupiter Hyde Park Hedge Fund	2.87%
VT Group plc	2.84%
DTZ Holdings PLC	2.77%
Invensys PLC	1.75%
Total of 15 largest investments	56.50%

* Directors' Valuation of 1% of Funds under Management

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