



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 02	Capital Shares	Income Shares	Warrants
Mid Price	94.5p	100.5p	24.5p
NAV	91.7p	N/A	N/A

Issue four

October 2002

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 be 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 takeover by Close Brothers. He is now chief executive of EPL and a non-executive director of a number of public and private companies including Brit Insurance Holdings PLC (resigned as Chairman in September 2002), London Town plc, Cathedral Capital PLC and non-executive chairman of the Close FTSE 100 Investment Trust plc. Jo is also chairman of EPIC Asset Management, the fixed income and structured product fund management subsidiary of EPL.

Corporate Details

Launch Date:	17 August 2001
Launch Assets:	£67.63m (net of expenses)
Current Assets:	£68.69m
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

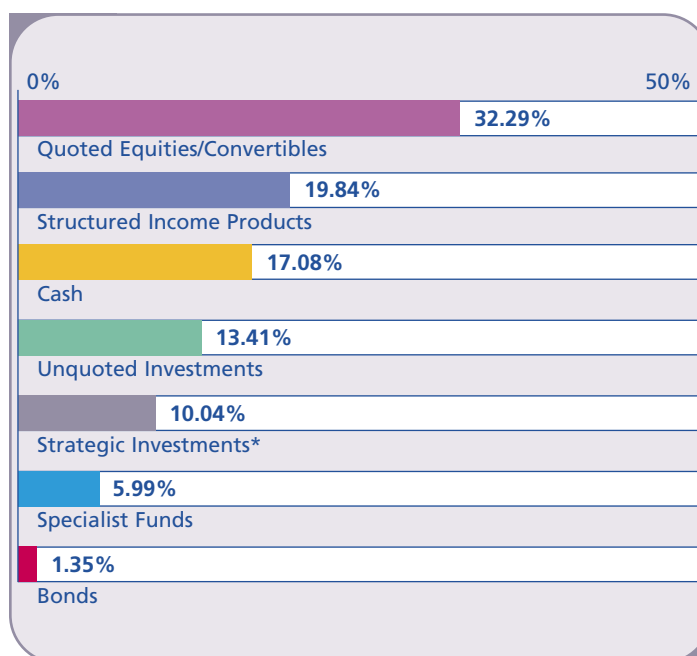
The Company invests in quoted and unquoted equities, bonds and structured income products and investment funds to generate capital growth for capital shares and an initial 10% yield for income shares.

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 2002



*The Equity Partnership Limited, Strand Partners Limited

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Manager's Commentary

Economic signals remained mixed during the quarter. Within the **equity portfolio** many second line stocks that had previously outperformed the large cap indices were de-rated by the market, enabling the Manager to rebuild a substantial position in Davis Services Group. This company had confirmed its prospects by reporting sound interim figures during the period.

One large **unquoted equity** investment was made during the last quarter. The Manager arranged, as well as provided, equity and debt finance to facilitate a management buy-in of Ryness Electrical Limited. Ryness is a well-established retailer and wholesaler of electrical goods based in London. William Hobhouse, previously of Whittards of Chelsea and Tie Rack has become Chief Executive and Jon Evens, previously of Think Natural has become Financial Controller.

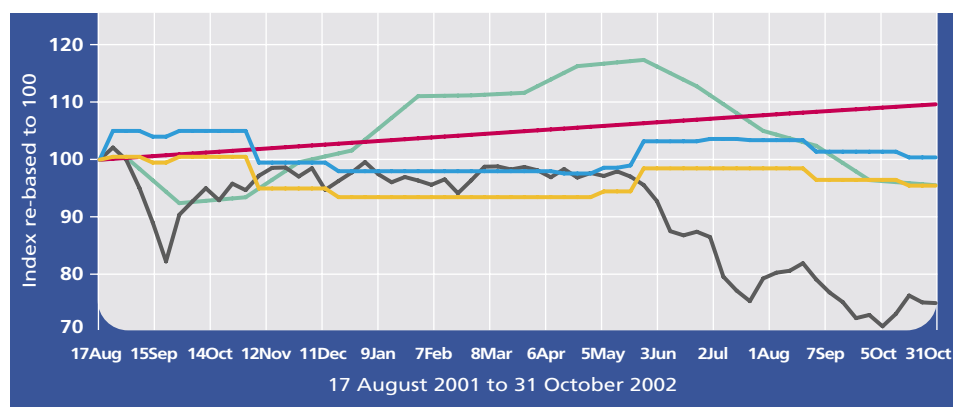
A smaller working capital investment in Wine World was made. Wine World offers wine tours, private wine tasting and corporate hospitality. We continue to research new opportunities in a number of sectors and we are in the process of securing a deal to provide working capital to a company that provides services to the health care sector.

Sunrise CDO I Ltd continues to experience difficult conditions in the ABS markets in the US. In August, the transaction had to write down 50% of the book value of one of its investments due to permanent diminution of value, which led to a reduction in the book value of the Class 2 Preference Shares that EPIC owns by USD 3.23 million. This is, however, largely mitigated by the inclusion in the book value of the shares of the excess interest generated by the collateral pool between Closing and 31 October 2002 that was not paid out as dividend, which was USD 3.11 million. The transaction is still comfortably meeting its minimum interest coverage and over-collateralisation levels.

Fixed income markets have witnessed a regime change this quarter with Investors now beginning to focus on the potential for another round of interest rates cuts to secure recovery in 2003. In the UK, this has caused Gilt yields to rise 0.4% from their lows as investors began to reduce bond market exposure in favour of equities which will benefit from forecast rate cuts. Cognisant of the potential for yield rises, EPIC pre-empted the turnaround by selling its £2 million holding in the 9½% Gilt maturing in April 2005.

Please note – Updates will be produced twice a year for the April and October quarters, ie between the annual and half year statutory reports.

Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 31 October 2002 – re-based to 100)



Source: Bloomberg

Risk Warning The information in this document is believed to be correct but cannot be guaranteed. Opinions constitute our judgement as of this date and are subject to change without warning. This document is not intended as an offer or solicitation to buy or sell securities, nor as a personal recommendation. The Company, its officers and employees may (a) have positions in; (b) have a material interest in; (c) have undertaken or may undertake an own account transaction in; or (d) may be providing or have provided within the previous 12 months significant advice or investment services in relation to the securities mentioned herein or related investments. Past performance is not necessarily indicative of future performance and the value of investments may fall as well as rise and the income from them may fluctuate and is not guaranteed. Investors may not recover the amount invested. Some securities carry a higher degree of risk than others. The levels and basis of taxation can change.

Market Data

	14.5 months since launch
Capital Shares:	
FTSE All Share Index	-25.16%
NAV	-4.48%
Benchmark	+9.72%
Share Price*	-4.55%
Share Price + Warrants	+0.40%

*Opening share price net of commission at 99¢

Largest Investments

	% of total investments
Sunrise CDO I Preference Shares Class 2 Reg S 1000*	11.98%
Credit Suisse First Boston (USA) Inc 0% 14 Nov 2013	7.86%
Equity Partnership Limited [†]	6.50%
Pinnacle-psg Limited	4.38%
Davis Service Group Plc	4.20%
Gleeson (MJ) Group Plc	3.55%
Strand Partners Limited	3.54%
EPIC Student Accommodation 20pct 28 Feb 2003	3.20%
Jupiter Hyde Park Hedge Fund	3.13%
Heywood Williams Group Plc	2.68%
SIG Plc	2.40%
Varga Group Limited	2.18%
Luminar Plc	1.99%
Diploma PLC	1.95%
RMC Group Plc	1.89%
Total of 15 largest investments	61.43%

*The investment has been split into Sunrise Preference Shares and the CSFB (USA) Notes

[†]Directors' Valuation of 1.5% of Funds under Management