



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 03	Capital Shares	Income Shares	Warrants
Mid Price	60.5p	102.5p	9.5p
NAV	98.41p	N/A	N/A

Issue six

October 2003

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) and Cathedral Capital PLC and non-executive chairman of the Close FTSE 100 Investment Trust plc. Jo is also chairman of EPIC Specialist Investments and 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:	£72.02m
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

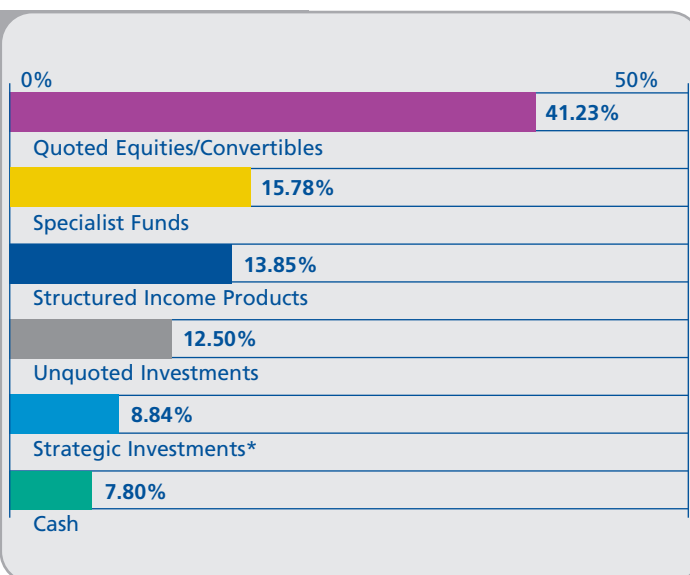
Investment Objective

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 2003



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

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Manager's Commentary

The continued good performance of many second and third liners within the **quoted equity** portfolio allowed several successful realisations during the period. The disposals were mostly interest rate sensitive stocks such as Gleeson, Hitachi Capital, SIG and RMC. Early in the quarter an opportunity arose to sell our disappointing Eldridge Pope holding at above market price. The proceeds were redeployed in Midlands brewer and pub operator Wolverhampton & Dudley.

During the quarter two new **private equity** investments were made (Blueheath and Kilgar French & Stanbury) and a re-capitalisation of Varga agreed with the Company's management. Blueheath was founded in May 2000 as the UK's first "stockless" grocery wholesaler that delivers in 24 hours. The Company processes all orders automatically, only trades with customers using direct debit and makes extensive use of technology to reduce costs. The cost base is therefore less than one third of a traditional wholesaler. In August EPIC teamed up with the existing managing director of a bespoke tailoring business, Kilgour French Stanbury and new sales and creative directors to facilitate a management buy-in/buy-out of the company.

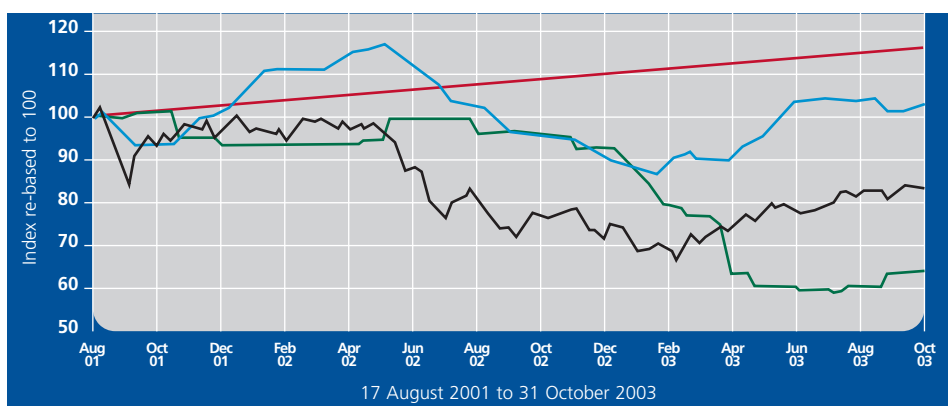
The **Equity Partnership** is showing continued growth in assets under management on all sides of the business and in October launched two open ended equity funds managed by Simon Shaw, a recent recruit from Insight with an impressive performance track record. EPIC Specialist Investments also floated a new fund - EPIC Reconstruction - on AIM. The Fund provides asset-backed finance for businesses emerging from distressed situations.

The **Sunrise I CDO** is performing reasonably at this stage of its existence and of the credit cycle. Individual credits have encountered difficulties and the deterioration in the average quality of the underlying portfolio has led in the short term to income being diverted to repay debt in line with over-collateralisation covenants, effectively capitalising income. However, the projected returns from the CDO remain satisfactory.

The **fixed income** component of the fund took advantage of news that ABB's asbestos liabilities could be settled by selling the entire holding in the company's bond to realise a profit of over 20% since purchase. This action also prevented the fund from suffering subsequent losses which affected corporate and government bonds alike that arose when economic data began to suggest that the Monetary Policy Committee would begin to raise interest rates in response to signs of stronger growth. Looking ahead, we believe that further monetary tightening remains likely and are therefore avoiding bonds until yields on corporate debt rise closer to the Company's return objective.

Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 31 October 2003 - re-based to 100)

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



Source: Bloomberg

Market Data

	26.5 months since launch
Capital Shares:	
FTSE All Share Index	- 17.96%
NAV	+ 2.46%
Benchmark	+ 16.74%
Share Price*	- 38.89%

*Opening share price net of commission at 99p

Largest Investments

	% of total investments
Credit Suisse First Boston (USA) Inc 0% 14 November 2013	8.04%
Sunrise CDO I Preference Shares Class 2 Reg S 1000*	5.80%
Equity Partnership Limited**	5.42%
EPIC Brand Investments	4.51%
Diploma PLC	4.02%
Gleeson (MJ) Group Plc	3.99%
Davis Service Group Plc	3.47%
Strand Partners Limited	3.42%
Jupiter Hyde Park Hedge Fund	2.92%
Pinnacle-psg Limited	2.81%
EPIC Student Accommodation 8% Loan Stock	2.59%
Wolverhampton & Dudley Breweries PLC	2.40%
VT Group Plc	2.33%
Lloyds TSB Group Plc	2.30%
Heywood Williams Plc	1.94%
Total of 15 largest investments	55.96%

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

**Directors' Valuation of 1% of Funds under Management

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