



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 2005	Capital Shares	Income Shares	Warrants
Mid Price	82.00p	118.63p	9.00p
NAV	101.15p	N/A	N/A

Issue nine

April 2005

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:	£73.22m
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:	Dr C McPhail, DC McCrickard DL Adamson, PP Scales M Richardson
Winding up Provisions:	31 July 2011
Annual Management Fee:	1%
Brokers:	Teather & Greenwood

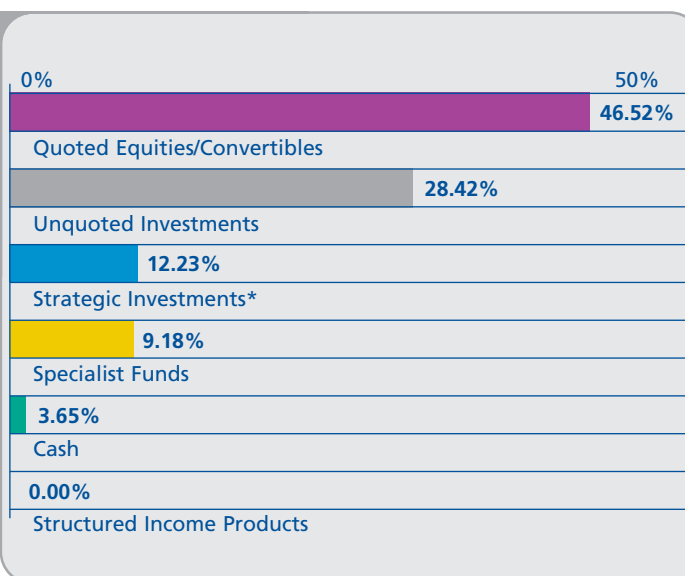
Investment Objective

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 2005



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

Contact

Jo Welman
The Equity Partnership Limited
Tel: +44 (0)20 7984 8660
Fax: +44 (0)20 7984 8661
e-mail: jo.welman@epicip.com
www.epicip.com

Emma Ayton
Teather & Greenwood
Tel: +44 (0)20 7426 3240
Fax: +44 (0)20 7247 7695
e-mail: emmaa@teathers.com
www.teathers.com

Manager's Commentary

Indicators of economic activity in the UK have continued to slow over the last three months, reflecting the impact of earlier enacted interest rises and higher oil prices. As such UK bond yields moved lower over the period buoying the returns to Gilts. However, with interest rate expectations focusing on the risks of a further rise in UK Base Rates, cash securities still outperformed against shorter dated bonds.

Looking ahead, although house price growth is now at the lowest level in five years, which has consequently led consumer spending to slow, we believe that tight labour market conditions will keep the risks for a rise or fall in UK Base Rates finely balanced.

Given the low levels of yield available from investment in **fixed income** securities following the rally, EPIC believes that bonds currently remain unattractive as there is little capital protection against any bond market sell-off, and the yields available from cash securities are also significantly higher. Therefore, in line with the Fund's targeted return, we continue to remain defensively positioned until such time that bond yields move higher.

The FTSE All Share Index measure of **UK equity** performance suffered a 1.8% decline during the quarter as commentators began to question the more ambitious growth forecasts for the UK economy. Strong share price moves by 4 Imprint and Macro 4 allowed EPIC to realise good profits. Profits were also taken from partial sales of core holdings Diploma and MJ Gleeson. Replacement holdings tended towards larger capitalisation stocks with purchase of telecommunication giants BT and O₂, finance provider Cattles and transport group TDG. Two small company holdings were

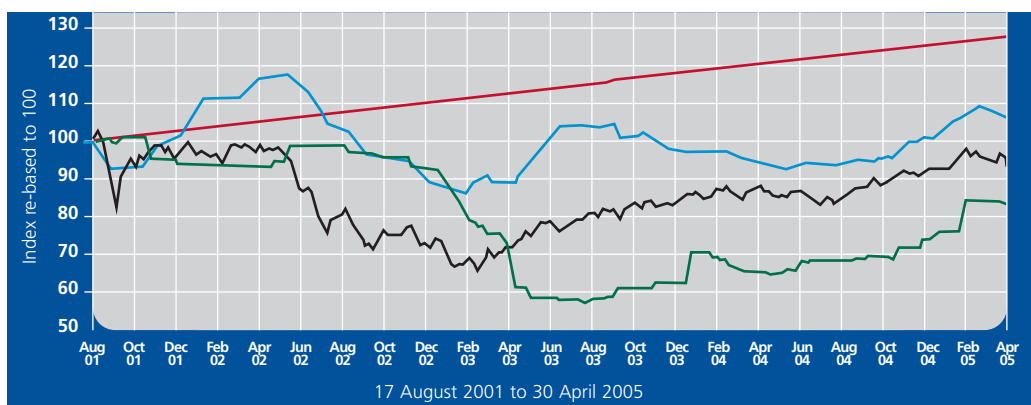
acquired, packaging group MacFarlane and antennae producer Sarantel.

The past quarter has been highly active for **Private Equity**. EPIC has completed two sizeable deals, investing a total of £8.5 million in Nexus Industries Limited and Palatinate Schools Limited. The former is a distributor of electrical and wiring accessories into the UK Retail and Wholesale base, and the latter a London based private schools group. £6.12 million of investment is in mezzanine instruments yielding 10% serviced interest. The balance is represented by Shareholder Loans and Equity. The deal pipeline remains strong and the Manager is expecting to complete another significant healthcare transaction in the coming months.

The **Equity Partnership** is on track for another satisfactory year and is again likely to exceed its budgeted income. The overall performance of both the equity and bond portfolios has been very satisfactory for the year to date, and on the new business front EPIC Asset Management currently has several proposals out to prospective clients and the "hit rate" is promising. EPIC Equity Advisors has completed a successful fundraising for Trading Emissions and EPIC Specialist Investments is progressing a number of promising new fund projects for later in the year.

Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 30 April 2005 - re-based to 100)

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



Source: Bloomberg

Market Data

	44.5 months since launch
Capital Shares:	
FTSE All Share Index	-7.62%
NAV	5.32%
Benchmark	27.47%
Share Price*	-17.17%
*Opening share price net of commission at 99p	

Largest Investments

	% of total investments
Equity Partnership Limited*	8.49%
Diploma PLC	7.52%
Alpha Real Estate GmbH 8% 11/02/2010	5.04%
Nexus Industries Ltd DDB Series A 31/12/2004	4.66%
Palatinate Ltd DDB A (Mezz) 10% 31/12/2012	4.48%
Gleeson (MJ) Group PLC	4.07%
DTZ Holdings PLC	3.95%
Strand Partners Limited	3.73%
Blueheath Holdings PLC	3.50%
Heywood Williams Group PLC	3.23%
VT Group PLC	3.21%
JSS Pinnacle Group Limited	2.99%
Jupiter Hyde Park Hedge Fund	2.80%
Simon Group PLC	2.74%
Uniq PLC	2.18%
Total of 15 largest investments	62.59%

* Valuation frozen as at 31 December 2004 (0.97%)

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