

OCTOBER UPDATE

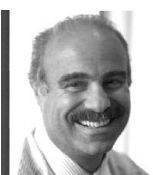
Stock Codes	Capital Shares	Income Shares	Warrants
Topic	EQPC	EQPI	EQPW
Bloomberg	EQPC LN	EQPI LN	EQPIW LN
Reuters	EQPL	EQPIL	EQP_t.L
ISIN	GB0030735483	GB0030735376	GB0030735269

31 October 2005	Capital Shares	Income Shares	Warrants
Mid Price	84.00p	124.75p	7.50p
NAV	108.06p	N/A	N/A

Issue ten

October 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:	£75.07m
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

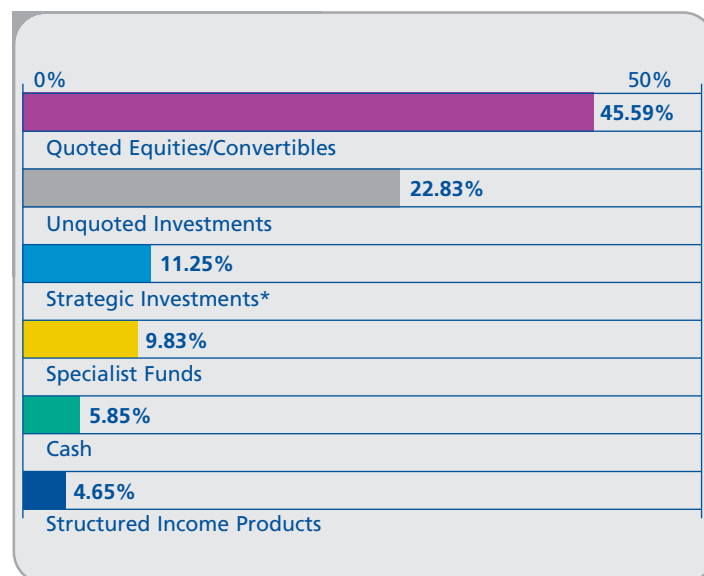
Investment Objective

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 31 October 2005



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

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Manager's Commentary

Economic indicators in the UK continued to decline in the second half of 2005 as the negative impacts of higher oil prices and slowing house price growth undermined activity. As such, expectations for interest rate reductions mounted, and the Bank of England conceded with a 25 basis point cut in UK Base Rates to 4.50% at their August meeting. This enabled UK bonds to rally and yields moved sharply lower.

However, hopes for further interest rate cuts were promptly dampened with the emergence of signs of housing market stabilisation in October. A rise in inflation to 2.50% which highlighted the risks emanating from higher energy prices also reduced the possibility for further monetary easing. Consequently, UK Gilts reversed their earlier gains as yields moved higher, and the sell-off was more pronounced in two-year bonds underpinned by the prospects of unchanged interest rates. This resulted in an underperformance of fixed income securities as compared with the returns to cash and UK equities over the three months.

Looking ahead, we expect that domestic consumption will remain supported by improved conditions in the property market, and that growth may also be boosted by the benefits to the external sector from the past depreciation of trade weighted sterling. However, we also anticipate that downside risks stemming from an increased propensity to save are likely to increase pressure on the Bank of England to cut interest rates again in 2006. On balance we suggest that the current defensive position remains appropriate given the Fund's targeted return until bond yields move suitably higher.

The FTSE All Share Index gained 0.7% during the quarter after early advances of 6% were largely surrendered in October reflecting worries about inflation and higher interest rates. EPIC sold two quoted equity holdings during the period - Lloyd's vehicle Chaucer which was felt to be vulnerable to any further hurricane claims, and port operator Simon Group which was sold for a good profit after a strategic stake changed hands. Partial sales were made of antennae producer Sarantel following news of production delays, and ship

builder VT after a strong share price move. New holdings were started in 4 Imprint after excellent figures, oil service group Hunting, Greg Hutchings' engineering vehicle Lupus Capital and communications technology group Spirent.

The past quarter has continued to see strong deal flow for the Private Equity division. The acquisition of Communitas Holdings Limited has been completed, with EPIC PLC committing £4.5 million in a mixture of Equity, Shareholder Loans and Mezzanine to this care home group, and taking a 29.9% stake in the business. The care home sector continues to be a cash generative and asset backed sector within the UK. Communitas specialises in care for those with learning disabilities. Such quality specialised care commands high premiums, and EPIC have backed a highly skilled management team who know the sector very well and have shown the ability to generate shareholder value in prior deals. The Manager is confident in the future of this transaction. In addition, the current portfolio continues to perform well.

Our two strategic investments continue to perform well. The Equity Partnership's fixed income management subsidiary has a high level of enquiries and the potential to attract at least one large new account before the year end. EPIC Specialist Investments Limited has successfully raised a new fund investing in retirement properties and has launched two further open-ended products since the summer. The Group is moving to new premises within the City before the end of the year. Strand Partners has had another good six months and it is particularly encouraging to see a broadening spread of relationships contributing to the very satisfactory deal flow.

Market Data

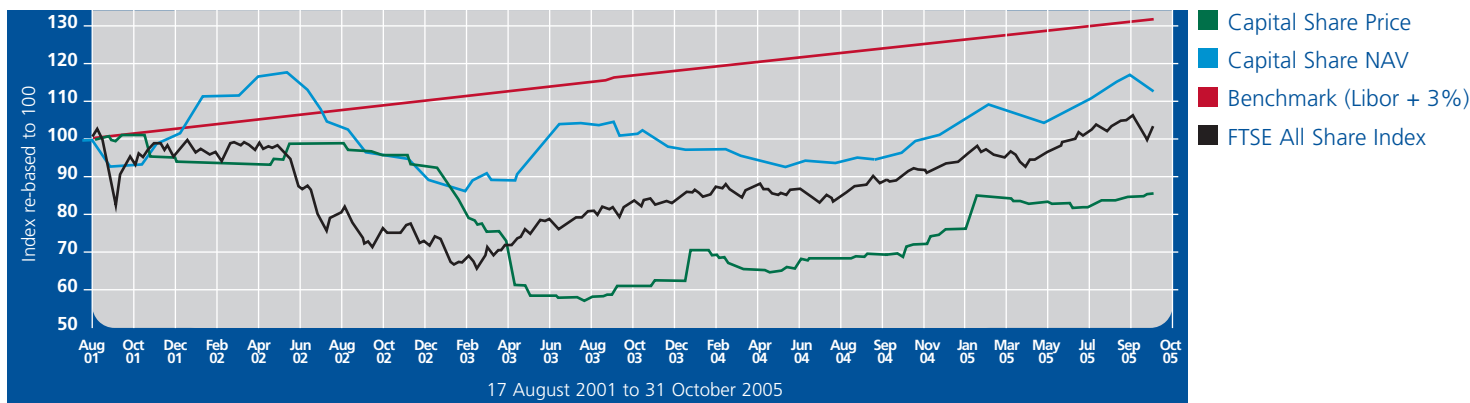
	50.5 months since launch
Capital Shares:	
FTSE All Share Index	2.85%
NAV	12.52%
Benchmark	31.87%
Share Price*	-15.15%
*Opening share price net of commission at 99p	

Largest Investments

	% of total investments
Equity Partnership Limited*	7.82%
DTZ Holdings PLC	7.32%
Diploma PLC	6.78%
Nexus Industries Ltd DDB Series A 31/12/2004	6.08%
Palatinate Ltd DDB A (Mezz) 10% 31/12/2012	5.84%
Communitas DDB	4.85%
Alpha Real Estate GmbH 8% 11/02/2010 4.65%	4.65%
Gleeson (MJ) Group PLC	3.86%
Strand Partners Limited	3.44%
Heywood Williams Group PLC	3.37%
Jupiter Hyde Park Hedge Fund	2.82%
JSS Pinnacle Group Limited	2.75%
Hunting	2.57%
Blueheath Holdings PLC	2.37%
Climate Exchange plc	1.91%
Total of 15 largest investments	66.77%

* Valuation frozen as at 31 December 2004

Share Price and NAV Performance vs Benchmark (from 17 August 2001 to 31 October 2005 - re-based to 100)



Source: Bloomberg

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