



Cayenne Asset Management Limited  
23 Buckingham Gate  
London SW1E 6LB

T: 020 7233 8899  
F: 020 7233 8989  
E: info@cayenneasset.com  
W: www.thecayennetrust.com

## The Cayenne Trust plc April 2010

### Fund Description

The Cayenne Trust plc aims to achieve consistent positive absolute returns by investing principally in the securities of UK investment trusts and other closed-end funds. The Trust will seek to ensure preservation of capital by the use of derivatives or similar hedging instruments. Up to 15 percent of the Trust's assets, at the time of investment, may be invested in Apollo Fund plc, an offshore fund which is managed by Cayenne Asset Management Ltd.

### Investment Manager's Report

The DJ Euro Stoxx 50 Index fell 3.3% as the Euro Zone came under intense pressure and the potential knock-on effect on the UK led the FTSE 100 down 2.2%. The US escaped the negative sentiment with the S&P rising 1.5%. The FTSE 350 Equity Investment Instruments Index was largely unchanged over the course of the month. The Trust's hedge position on the FTSE 100 produced positive returns, and this, together with positive portfolio performance, resulted in the NAV gaining 2.2%. The Trust remains defensively positioned while economic and political uncertainty remains elevated. With the Euro in crisis; a UK hung Parliament; volcanic ash clouds; and violence in the 'Land of Smiles', this is not considered to be an opportune time to be taking unfettered risk. The NAV of Apollo Fund plc, the Trust's largest single position, appreciated by 5.2%.

Nearly half of the Trust's return for the month came from the hedge book, as re-balancing of positions led to the portfolio being well protected as the market sold off in the second half. Meanwhile notable positive contributions came from Apollo Fund; the convertible loan stock portfolio; utilities; and some selected real estate and private equity positions. The hedge position remains a crucial element of the Trust's portfolio composition. A significant amount of time and effort is dedicated to ensuring the Trust is adequately protected from a multitude of potential risks. At month-end the overall short futures positions and puts protected approximately 40% of the entire portfolio and a far greater proportion of the Trust's equity exposure.

April proved to be another quiet month in terms of turnover as the market awaited the outcome of the General Election. The Trust was active at the margin but again resisted the temptation to enter larger trades. The switch from 3i Infrastructure ordinary shares to warrants was completed early in the month. Anglo & Overseas continues to exhibit great value and stock was purchased at a discount in excess of 15%. Recent performance has been disappointing and a revival in fortunes and/or some repurchase activity is anticipated. During the month positions in Caledonia, F&C Private Equity and Pantheon were increased a little at attractive levels. Sale activity was limited to a reduction in the size of the JP Morgan Emerging Markets subscription share position at a useful profit and an opportunistic disposal of a limited proportion of the Majedie holding.

The Manager and Broker continue to be mindful of the secondary market in the Trust's shares and continue to ensure that shares available in the market will be repurchased at no more than a 5% discount to NAV. As a result of this commitment 53,833 shares were repurchased into Treasury during the month.

Much has been written lately about the relative disadvantage faced by those investment companies which are considered to be of sub-optimal size. Although the market capitalisation of the Trust is less than might be considered ideal, the active discount management policy continues to provide liquidity to existing and potential shareholders. The scale of this available liquidity competes with and often exceeds that available to shareholders in significantly larger trusts.

Top Ten Holdings		Underlying Exposure		Trust Details		Ordinary Shares	
Apollo Fund	6.6%	UK	25.6%	NAV per Share (Diluted)		127.17p	
Law Debenture	5.8%	Europe	15.3%	Mid-price per Share		120.50p	
3i Group culs	4.3%	N America	8.8%	Premium / (Discount)		(5.24%)	
China Real Estate Op	3.9%	Asia	15.1%	Mid-price per sub share		10.00p	
Ecofin Water Pwr culs	3.8%	Japan	1.6%	Mid-price per £100 nom culs		£100	
British Empire	3.4%	Latam	2.1%	April NAV Return		2.2%	
European IT	3.4%	Other	10.2%	Financial YTD NAV Return		7.5%	
JPM Overseas	3.4%	Fixed Int.	10.9%	IRR since inception		4.1%	
Electric & General	3.2%	Cash	10.3%	Net Assets		£49.2m	
Blackrock Wrld Mining	3.1%	Index	(40.2%)	Gross Assets		£58.6m	
				Market Cap		£46.0m	
				Financial Year-end		31 January	
				Ordinary Shares	(TCT)	38,162,818	
				CULS	(TCTL)	9,171,000	
				Subscription Shares	(TCTS)	3,278,433	
				Management Fee:		1%	
				Performance Fee:		10% above hurdle rate	
				Hurdle Rate:		5% per annum	
				High Water Mark 31/01/11		146.07p	

  

NAV Performance to 31 April 2010			
3 Months	6 Months	1 Year	3 Years
7.5%	9.6%	30.1%	5.1%

Data source: Phoenix Administration Services Ltd. / Cayenne Asset Management Ltd.

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