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## The Cayenne Trust plc April 2011

### 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

Despite suffering another intra-month setback, markets maintained positive momentum over the period with the FTSE 350 Equity Investment Entities Index gaining 2.1%. It appears that the bulls still have the upper hand for now but anecdotal evidence from the trust market suggests that demand may be waning, with some new issues struggling to attract significant appetite. It is possible that tax-year planning interrupted investor demand or perhaps there are greater forces at work. The Glencore issue will be a milestone for the London market which is becoming increasingly reliant on the materials sector. In a note of caution, when the FTSE100 has experienced this level of dependence on a single sector in the past, catastrophic corrections have often ensued. The Trust remains positioned defensively and, as a result, the NAV increased 0.53% as hedge positions detracted from performance towards month-end.

The manager visited Malaysia over Easter and spent two days with representatives of Aseana Properties Ltd and its parent company, Ireka Development Management. This due diligence included site visits in Kuala Lumpur and extensive meetings with many of the company's executives. This position was originally purchased as a deep discount and recovery play. Since then, confidence in the management and portfolio has grown and this is now seen as a long term investment, despite having returned approximately 400% since the initial investment. The shares still trade at a 50% discount to NAV and the investment case remains solid; eventually this should be reflected in an improved rating for this company.

Significant positive contributions came from the listed Private Equity portfolio, with F&C Private Equity in particular making good progress. Treasury China Trust also recovered much of the ground lost over the first quarter, as buyers returned to the market. A resolution to approve share repurchases was put before shareholders at month end and it is expected that this will provide continued upward price momentum in the near term. Following positive returns in Asian equities last month, commensurate gains were made across the Asian subscription share portfolio in what appeared to be a delayed reaction to market strength and discount contraction. European exposure was rewarded as both equities and the single currency appreciated. The majority of the Trust's exposure to the Euro is hedged as Euro weakness now appears more likely than continued strength. Yen exposure is similarly hedged as Japanese authorities have come under increasing pressure to stimulate the economy following the catastrophic events of March.

New investments were made over the month in Dunedin Enterprise at a discount of 35% to NAV; in Ecofin CULS at a small premium to par and in Diversified Income Trust, a new issue to be managed by Gervais Williams. To finance these purchases the short dated CULS of 3i were sold at par and 3i Infrastructure was exited into renewed demand. The majority of the position in Cambium Global Timberland was realised as faith in the future prospects for this fund evaporated. A small position in Candover was exited for the same reason. Finally, after an extremely profitable journey, it was decided that the Trust's exposure to the technology sector should be diversified further and a portion of the holdings in Herald and Polar Capital Technology were consequently sold in favour of RCM Technology.

With the FTSE 100 again trading over 6,000, Index Puts for July and September were purchased to add longer dated protection to the portfolio. The Board and Managers continue to stand by their commitment to repurchase shares when necessary to limit the discount to less than 5%. As a result 150,000 shares were purchased in April and placed in Treasury. There are now just over one million shares in Treasury which are available for re-issue at a 4% discount. To coincide with the Trust's fifth anniversary, the Managers will be hosting a series of meetings for institutional and intermediary investors. Please contact Winterflood should you wish to attend one of these.

Top Ten Holdings		Underlying Exposure		Trust Details		Ordinary Shares	
Law Debenture	6.2%	Equity	53.2%	NAV per Share		134.07p	
Electric & General	5.6%	Alt. Equity	23.8%	Mid-price per Share		129.50p	
Apollo Fund PLC	5.3%	Real Estate	8.3%	Premium / (Discount)		(3.41%)	
F&C Private Equity	4.3%	Fixed Int	7.3%	Mid-price per £100 nom culs		£103.50	
Pantheon Intl	4.0%	Warrants	3.6%	NAV Return		0.53%	
Edinburgh Dragon culs	3.6%			Financial YTD NAV Return		0.72%	
British Empire	3.6%	Cash	3.5%	IRR since inception		4.53%	
European Inv	3.4%			Net Assets		£56.97m	
Treasury China Trust	3.2%	Equity Indx	(35%)	Gross Assets		£71.84m	
Terra Catalyst	3.1%			Market Cap		£55.03m	
				Financial Year-end		31 January	
				Ordinary Shares	(TCT)	42,496,623	
				CULS	(TCTL)	14,953,523	
				Management Fee:		1%	
				Performance Fee:		10% above hurdle rate	
				Hurdle Rate:		5% per annum	
				High Water Mark 31/01/12		147.91 (142.31 xd)	

### NAV Performance to 30 April 2011

3 Months	6 Months	1 Year	3 Years	5 Years
0.7%	5.9%	7.2%	19.1%	23.9

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

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