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## The Cayenne Trust plc February 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

While concerns over Greece and the large fiscal deficit in the UK put pressure on the euro and the pound, equity markets recovered most of the losses suffered in January. The FTSE 100 gained 3.2%; the S&P 500 rose 2.9%, although the DJ Euro Stoxx 50 Index fell 1.7%. The FTSE 350 Equity Investment Instruments Index again benefited from Sterling weakness and gained 3.4%. The Trust's portfolio remains well hedged and that, together with the underperformance of specialist trusts held, resulted in the NAV declining by 0.23%. The Trust remains in a strong position to weather any setback in markets. The NAV of Apollo Fund plc, the Trust's largest single position, depreciated by 0.47%.

As the market traded higher, the chance was taken to realise useful profits by decreasing the position in 3i Infrastructure and exiting Finsbury Worldwide Pharmaceutical Trust. However, exposure to these trusts was maintained through the purchase of their warrants at attractive levels. This provides a leveraged exposure with the potential for greater returns if the underlying perform well, but will limit the downside on any sharp correction. A third of the position in Utilico Emerging warrants was exercised and the opportunity was taken to sell the resultant ordinary shares later in the month. A new holding in The European Investment Trust was entered during the month at a 17% discount to NAV. The trust is now being managed by Edinburgh Partners, who enjoy a proven record in this sector, and a buyback programme has been initiated. The discount should narrow once any shareholder overhang is cleared and the expected performance pickup materialises. Positions in Martin Currie Portfolio, Anglo and Overseas and Caledonia were all increased at favourable levels.

The holdings in Pantheon International Participations and F&C Private Equity were added to during the month as this sector continues to provide good opportunities. Pantheon released encouraging numbers reflecting a strengthened financial position and while trading at a 45% discount to NAV, it exhibits exceptional value. F&C Private Equity maintained its recent good performance in February.

China Real Estate Opportunities (CREO) announced details of its tender offer and of the proposed subsequent change in the fund's listing from AIM to Singapore. The purpose of the new listing is to appeal to a new group of shareholders and bring it geographically closer to the fund's asset base. A combination of new shareholders and a removal of the present overhang is expected to result in a re-rating of CREO stock.

Subscription Share holders are reminded that the next opportunity to subscribe for Ordinary Shares at 106p is 31 March 2010. Ordinary Shares issued at this time will be entitled, along with existing Ordinary Shares, to the Final Dividend to be paid shortly thereafter. The Board have stated that this dividend will be 'not less than 2.00p per Ordinary Share'. Any Subscription Share holders who delay exercise to the final exercise date at the end of June 2010 to subscribe for will miss the opportunity to collect the Final Dividend. During February, 162,857 Ordinary Shares were repurchased as part of the Board's commitment to control the discount at which the shares trade. The Trust's broker continues to place shares offered in the market wherever possible.

Top Ten Holdings				Underlying Exposure		Trust Details		Ordinary Shares	
Apollo Fund	6.5%	UK	25.1%	NAV per Share (Diluted)		118.02p			
Law Debenture	6.2%	Europe	13.1%	Mid-price per Share		113.5p			
3i Group culs	4.8%	N America	8.5%	Premium / (Discount)		(3.83%)			
Ecofin Water Pwr culs	4.4%	Asia	11.4%	Mid-price per sub share		8.75p			
Electric & General	3.5%	Japan	1.7%	Mid-price per £100 nom culs		£100			
JPM Overseas	3.4%	Latam	0.9%	February NAV Return		(0.23%)			
British Empire	3.4%	Other	15.9%	Financial YTD NAV Return		(0.23%)			
Terra Catalyst	3.4%	Fixed Int.	12.6%	IRR since inception		2.47%			
Blackrock Wrld Mining	3.2%	Cash	10.9%	Net Assets		£42.30m			
Ecofin Water Pwr Ord	3.2%	Index	(38.6%)	Gross Assets		£51.54m			
				Market Cap		£39.94m			
<b>NAV Performance to 28 February 2010</b>				Financial Year-end		31 January			
3 Months	6 Months	1 Year	3 Years	Ordinary Shares	(TCT)	35,188,367			
2.2%	5.4%	48.0%	0.6%	CULS	(TCTL)	9,171,000			
				Subscription Shares	(TCTS)	6,408,666			
				Management Fee:		1%			
				Performance Fee:		10% above hurdle rate			
				Hurdle Rate:		5% per annum			
				High Water Mark 31/01/11		146.07p			

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

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