



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 January 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 4th Quarter rally ran out of steam within days of the year-end. Equity markets declined in January with some of the world's major indices leading the correction. The FTSE 100 declined 4.1%; the DJ Euro Stoxx 50 Index fell 4.1%; while the S&P 500 retreated by 3.7%. The FTSE 350 Equity Investment Instruments Index benefited from mild Sterling weakness but still declined 3.1%. The Trust's portfolio remains well hedged and consequently the NAV appreciated by 0.6% during the month. This results in an (unaudited) NAV increase of 37.3% for the financial year which ended on 31 January. The NAV of Apollo Fund plc, the Trust's largest single position, appreciated by 0.96%.

With equity market valuations looking a little stretched in the short term, the Trust took advantage of narrowing discounts in Foreign & Colonial and Witan to reduce equity exposure, while RIT Capital was reduced at close to NAV. Of particular note this month was the sale of Electra at a significant premium to the purchase price and, as a result, a substantial profit was realised. The position in 3i Infrastructure was further reduced at prices well in excess of both cost and recent valuations as the recovery in this sector continued.

British Empire traded at close to a 10% discount during the month and stock was purchased at advantageous levels. Temple Bar was also added to the portfolio at a discount level not experienced since the collapse of Lehman in 2008. Despite the sale of Electra, the Trust maintained exposure to the private equity sector by increasing the allocation to F&C Private Equity and by entering a new position in Pantheon. Both funds have suffered a savage deterioration in rating due to their high level of potential commitments. Logically, it is difficult to envisage an environment existing where these commitments are called without the funds being able to meet cash calls. An attractive risk reward profile therefore exists in some of these 'lower quality' private equity funds.

As the market traded lower, the hedge position was adjusted to ensure that the delta exposure was maintained at a suitable level. With Asia accounting for an increased proportion of the Trust's exposure, a position in the puts on the MSCI Emerging Market Index was purchased to broaden protection against potential declines in this region.

During January the Trust's Broker continued to place shares offered in the market and ensured that none were repurchased by the Company, while the discount remained well within the limits set by the Board. Indeed, demand for the Company's shares remained strong and, as a result, 420,000 were re-issued from treasury. The Trust's shares continue to exhibit a high degree of liquidity and minimal discount volatility.

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 Ordinary Shares will miss the opportunity to collect the Final Dividend.

Top Ten Holdings				Underlying Exposure		Trust Details		Ordinary Shares													
Apollo Fund	6.5%	UK	26.5%	NAV per Share (Diluted)		118.26p															
Law Debenture	5.9%	Europe	13.0%	Mid-price per Share		114.25p															
3i Group culs	4.8%	N America	9.9%	Premium / (Discount)		(3.39%)															
Ecofin Water Pwr culs	4.4%	Asia	11.0%	Mid-price per sub share		10.0p															
JPM Overseas	3.9%	Japan	1.7%	Mid-price per £100 nom culs		£99															
Electric & General	3.4%	Latam	0.9%	January NAV Return		0.61%															
British Empire	3.4%	Other	13.4%	Financial YTD NAV Return		37.29%															
Terra Catalyst	3.4%	Fixed Int.	15.0%	IRR since inception		2.57%															
China Real Estate	3.1%	Cash	8.6%	Net Assets		£42.59m															
Ecofin Water Pwr Ord	3.1%	Index	(45.0%)	Gross Assets		£51.89m															
				Market Cap		£40.39m															
<table border="1"> <thead> <tr> <th colspan="4">NAV Performance to 31 January 2010</th> </tr> <tr> <th>3 Months</th> <th>6 Months</th> <th>1 Year</th> <th>3 Years</th> </tr> </thead> <tbody> <tr> <td>1.9%</td> <td>8.6%</td> <td>37.3%</td> <td>1.8%</td> </tr> </tbody> </table>										NAV Performance to 31 January 2010				3 Months	6 Months	1 Year	3 Years	1.9%	8.6%	37.3%	1.8%
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3 Months	6 Months	1 Year	3 Years																		
1.9%	8.6%	37.3%	1.8%																		
				Financial Year-end		31 January															
				Ordinary Shares	(TCT)	35,351,224															
				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 31/01/10		139.12p															

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

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