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The Cayenne Trust plc July 2009

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

Global equity markets rallied in July with the FTSE 100 Index and MSCI World Index up 8.5% and 8.4% respectively. Markets were buoyant as earnings reports were ahead of reduced estimates, strong data from China and the wider perception that the world economy is benefitting from massive stimulus packages. The FTSE 350 Equity Investments Instruments Index, perhaps the Trust's most relevant index, lagged the wider equity markets, gaining 5.8% over the month. Against this background the NAV was up 3.8% in July, resulting in an NAV return of 27.15% for the Trust's financial year to date.

Despite underperforming the wider equity markets July's performance was pleasing; the Trust now has a significant hedge position in place through short index futures and index put options, as well as a sizeable cash position. For the time being greed appears to have replaced fear. The expectation is that equity markets may be somewhat ahead of themselves and a correction is likely, as the current optimism proves unfounded.

In terms of portfolio activity, the Trust participated in a placing of a convertible unsecured loan stock by Ecofin Power & Water that was issued at 100p and offering an attractive yield of 6%. The Trust also hold the ordinary and subscription shares (total exposure to Ecofin Water & Power through these three instruments is 9.2% of the portfolio). The Trust has built up a position in Aseana Properties Limited over the last few months. This is a conservatively managed property development company operating in Vietnam and Malaysia, with low levels of gearing and a high weighting of cash, currently trading at a discount of approximately 70% to its net asset value. Whilst the expectation is that property valuations and local currencies may slip during 2009, the current share price is discounting further falls in the region of 60%, which looks overdone. The company has previously been proactive in buying back shares, adding significant value to the NAV per share.

The position in Alliance Trust and Schroder Income Growth were sold as valuations became stretched, while Scottish Mortgage, Electric & General, Mercantile and EP Global were reduced after recording strong gains. The takeover bid by Laxey Partners for Spazio, the Italian property company, went unconditional at the end of July. The Trust accepted the terms of the bid and has now received the proceeds, resulting in a useful profit for the Trust.

The NAV of Apollo Fund plc, the Trust's largest single position, increased 6.35% in July. As part of the Trust's commitment to maintaining its discount policy, 63,750 shares were bought into Treasury.

Top Ten Holdings		Underlying Exposure		Trust Details		Ordinary Shares	
Ecofin Water & Pwr	9.2%	UK	28.8%	NAV per Share (Diluted)		108.73p	
Apollo Fund	6.3%	N. America	12.8%	Mid-price per Share		103.00p	
3i Group culs	5.2%	Europe	21.3%	Premium / (Discount)		(5.27%)	
3i Infrastructure	4.7%	Asia	10.7%	Net Assets		£36.65m	
Treasury 4¼% 2011	4.6%	Japan	2.5%	Gross Assets		£45.91m	
Gartmore Irish	4.1%	Other	10.3%	Market Cap		£34.54m	
Electric & General	3.5%	Cash & FI	13.6%	July NAV Return		3.84%	
Law Debenture	3.4%	FTSE 100	(40.0%)	Financial YTD NAV Return		27.15%	
Scottish Mortgage	3.4%			IRR since inception		0.72%	
China Real Estate	3.2%			Financial Year-end		31 January	
Total	47.6%			Ordinary Shares	(TCT)	33,536,950	
				CULS	(TCTL)	9,171,000	
				Subscription Shares	(TCTS)	6,726,690	
				Management Fee:		1%	
				Performance Fee:		10% above hurdle rate	
				Hurdle Rate:		5% per annum	
				High Water Mark:		Yes	

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

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