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The Cayenne Trust plc June 2006

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

After a difficult start to the month, equity markets recovered strongly in the second half of June to regain some of the ground lost since early May. Intraday volatility remained high for much of the month and the lack of liquidity remains an issue across all markets. The FTSE 100 closed the month 1.9% higher (some 6% above the nadir of 14th June). The FTSE 250 also recovered to finish ahead by 1.3%. Meanwhile, in the US, the S&P 500 ended the month unchanged and the US\$ strengthened as further rate rises are anticipated by many market commentators. The FTSE Investment Instruments Index again underperformed, gaining only 0.9% as discounts remained marginally wider while managers continued to underperform in the short term. TCT recovered a little of the ground lost over the previous month to finish up 0.64%, which represents a decline of 0.77% for the financial year to date. The C share conversion factor was calculated during the month and C Share holders now own 0.8491446 Ordinary Shares for each C Share subscribed. This is a disappointing start for the new shareholders and is a result of having to absorb issue costs, dealing costs and adverse sector performance in these volatile markets. TCT is now substantially invested and confidence remains that the portfolio is well positioned for returns to improve in the near future.

As markets declined at the beginning of June, TCT was able to buy some high quality trusts at relatively wide discounts. Thus, positions in Fidelity Special Values, Perpetual Income & Growth, Murray Income, Electric & General and Aberforth Smaller Companies were all increased. Greater volatility also presented opportunities at the more speculative end of the spectrum allowing TCT to increase its weighting in Herald and Melchior Japan; the latter of which suffered a disastrous debut, despite being managed by the highly respected Ken Nishizawa. It is expected that the ratings of both trusts will improve markedly over the medium term. Jupiter Green's decision to outsource its global portfolio to the Boston based, Winslow Management Company, is highly encouraging. It appears to be the right time to start taking this sector seriously and a small allocation was made to the recent new issue. City of London was the only realisation during the month under review, as the discount narrowed to 4%.

TCT's largest holding, the co-managed Apollo Fund plc, also experienced a quiet month in performance terms, declining 0.36%. The hedge position for TCT was maintained but may be increased and diversified slightly if markets re-test the recent highs. Shareholders can now monitor the progress of The Cayenne Trust on its newly released website which can be found at www.thecayennetrust.com.

| Top Ten Holdings | | Underlying Exposure | | Trust Details | | Ordinary Shares | |
|----------------------|-------|---------------------|-------|--------------------------|--------|-----------------------|--|
| Apollo Fund | 14.0% | UK | 47.4% | NAV per Share | | 109.06p | |
| Scottish Mortgage | 8.9% | N. America | 10.6% | Price per Share | | 114.00p | |
| Edinburgh | 8.9% | Europe | 14.9% | Premium / (Discount) | | 4.52% | |
| Electric & General | 6.2% | Asia | 8.5% | Net Assets | | £46.32m | |
| Monks | 5.7% | Emerging | 4.1% | Gross Assets | | £56.32m | |
| JPM Fleming Merc | 4.6% | Other | 1.7% | Market Cap | | £48.42m | |
| Real Est Opps ZDP | 4.4% | Cash & FI | 8.6% | June NAV Return | | 0.64% | |
| Perpetual Inc & Grth | 3.1% | Derivatives | 4.2% | Financial YTD NAV Return | | (0.77)% | |
| Murray Income | 2.8% | | | IRR since inception | | (1.82)% | |
| Advance UK | 2.7% | | | Financial Year-end | | 31 January | |
| | | | | Ordinary Shares | (TCT) | 42,475,143 | |
| | | | | CULS | (TCTL) | 10,000,000 | |
| | | | | Management Fee: | | 1% | |
| | | | | Performance Fee: | | 10% above hurdle rate | |
| | | | | Hurdle Rate: | | 5% per annum | |
| | | | | High Water Mark: | | Yes | |

Data source: Invesco / Cayenne Asset Management Ltd

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