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The Cayenne Trust plc
June 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

Equities continued to be buffeted by multiple external influences, but many markets managed to regain much lost ground despite another significant intra-month sell off, the sixth in as many months. Anxiety over the future of the Eurozone remained at the forefront of investor sentiment but, despite this, equities remained in positive territory at the end of the half-year. The FTSE All Share ended the month down just 0.8% having fallen nearly 4% at one stage. Investment trusts outperformed the wider market again, with the FTSE Equity Investment Instruments Index marginally higher over the month. The Trust's NAV declined by 0.77%, which equates to a gain of 1.6% for the year to date.

This was a disappointing month, with several positions contributing to the negative performance. The warrant positions gave back some of their earlier gains. Utilico fell as the price of its largest holding, Resolute Mining, came under pressure. Resolute has now been in full production for some months and is expected to attract further investors, which could eventually result in the entire position being sold at a substantial premium to its current share price. New Star Investment Trust was relegated from the All Share Index, which resulted in several index tracking funds being forced to sell their holdings and the share price declined as a result.

The private equity holdings had mixed results, with Pantheon being excessively marked down on a badly executed sell order; and Dunedin Enterprise declining following its recent positive share price performance. F&C Private Equity made up for much of these losses as investors started to understand what excellent value these shares offer.

On a positive note, Electric & General finally released details of its long overdue restructuring and the discount narrowed as the timing of the cash offer became clear. This position will be retained until the deal is completed and cash is paid at NAV less costs, unless an attractive reinvestment opportunity materialises in the meantime, in which case it may be sold. Other notable successes during the month include the two Japanese positions as the Nikkei produced positive returns; and Edinburgh Dragon convertible loan stock which, despite trading ex its first coupon, appreciated by 2.5%: a total return of 4.5% for the month. SVM Global continued to be re-rated as investors appear to be more comfortable with the positive progress made by the manager. Also Hansa Trust made solid gains as the strength of its largest holding, Oceans Wilson, continued to attract attention.

The Trust's turnover was limited, with little volume in such volatile markets producing few opportunities. The remaining 3i Infrastructure position was sold for a useful profit, while East European Trust subscription shares were exercised. Investors will note that the Trust now has a position in Thames River Multi-Hedge which, in these turbulent times, should be value accretive, as the Board has stated that anything less then double digit returns for 2011 will trigger a continuation vote and liquidity event in 2012. So far this year the NAV is flat, so a 10% return over six months is required to stave off this eventually. This fund currently trades at a discount to NAV of 13%.

The Trust continues to hold a significant cash balance in light of market uncertainty and ahead of upcoming demand for funding, as a number of warrants are due to be exercised over the next few months. Hedge positions remain in place and cover the majority of the Trust's equity exposure. During the month, 30,000 ordinary shares were re-issued from Treasury. There are now 1,115,729 ordinary shares in Treasury, which are available for purchase at a discount to NAV of 4%.

Top Ten Holdings		Underlying Exposure	
Electric & General	5.6%	Equity	48.8%
Apollo Fund PLC	5.4%	Alt. Equity	24.5%
Law Debenture	5.2%	Real Estate	8.9%
F&C Private Equity	4.8%	Fixed Int	6.5%
Thames River Hedge+	4.0%	Warrants	2.7%
Pantheon Intl	4.0%		
Edinburgh Dragon culs	3.6%	Cash	7.8%
Treasury China Trust	3.5%		
Ecofin Power & Water	3.4%	Equity Indx	(31%)
European Investment	3.3%		

NAV Performance to 30 June 2011

3 Months	6 Months	1 Year	3 Years	5 Years
1.4%	1.6%	13.5%	22.3%	29.2%

Trust Details		Ordinary Shares
NAV per Share		134.27p
Mid-price per Share		130.00p
Premium / (Discount)		(3.18%)
Mid-price per £100 nom culs		£104.50
NAV Return		(0.77%)
Financial YTD NAV Return		1.62%
IRR since inception		4.75%
Net Assets		£57.05m
Gross Assets		£71.97m
Market Cap		£55.23m
Financial Year-end		31 January
Ordinary Shares	(TCT)	42,487,181
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 (141.31 xd)

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