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The Cayenne Trust plc March 2007

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 volatility experienced throughout the global markets at the end of February continued into the early part of March before gradually subsiding. Overall, markets rallied back towards the levels enjoyed in mid February; the DJ Euro Stoxx 50 recovered to end 2.3% higher, while the FTSE 100 had gained 2.2% by month end. The apparent ease of the market recovery is potentially worrying; investors appear comfortable that markets are well supported by current fundamentals and the fears over sub-prime mortgages are sector specific rather than a broader credit issue. While it could take some time for the full result of the sub-prime mortgage fallout to impact the markets, it has certainly acted as a healthy reminder to many of the high levels of leverage, complacency and over exuberance presently inherent within the financial system. Despite the problems in the US, the S&P recovered by approximately 1.0% over the month and the Trust's most relevant index, the FTSE 350 Equity Investment Instruments Index, rose by 3.9%. Against this background, the Trust's NAV produced a moderate rise of 0.92% during the month, increasing the financial year to date return to 1.88%. The discount widened slightly as the share price remained unchanged.

As discounts widened during the recent turmoil exposure to several existing positions was increased at favourable levels; including JPMorgan Fleming Mercantile, Scottish American, Aberforth Smaller Companies and Ecofin Water & Power. The only new holding entered into during March was a small position in New Star Investment Trust which was purchased at an historically wide discount to NAV, following a substantial holder selling at a poor price. This trust is predominantly invested in a range of mutual funds and alternative asset funds run by New Star Asset Management with the largest holding being a position in New Star Asset Management Group PLC, the ultimate parent company of the manager. The trust has a strong performance record and looks attractive at these levels. The position of Scottish Mortgage was slightly reduced towards the end of the month.

The trust's FTSE Put spreads for December were further increased during the month, as the markets continued their strong recovery following the downturn in February. Apollo Fund, the Trust's largest position, NAV increased by 0.17% during March.

An EGM is to be held on 25th April 2007. The Board has proposed resolutions to allow greater flexibility in the use of its share repurchase facilities. Details can found on the Trust's website together with the preliminary announcement of unaudited annual results for the year ended 31 January 2007, which have been released since the month end.

| Top Ten Holdings | | Underlying Exposure | | Trust Details | | Ordinary Shares |
|-----------------------|-------|---------------------|-------|--------------------------|--------|-----------------------|
| Apollo Fund | 14.1% | UK | 41.1% | NAV per Share | | 121.76p |
| Electric & General | 6.7% | N. America | 10.4% | Mid-price per Share | | 117.25p |
| Scottish Mortgage | 6.1% | Europe | 15.4% | Premium / (Discount) | | (3.70)% |
| Perpetual Inc & Grth | 5.9% | Asia | 7.8% | Net Assets | | £51.72m |
| Monks | 5.8% | Japan | 3.0% | Gross Assets | | £61.87m |
| Fidelity Spec. Values | 4.7% | Other | 12.0% | Market Cap | | £49.91m |
| Real Est Opps ZDP | 4.0% | Cash & FI | 8.1% | March NAV Return | | 0.92% |
| TR European Growth | 3.1% | Derivatives | 2.2% | Financial YTD NAV Return | | 1.88% |
| Ecofin Water & Pwr | 3.0% | | | IRR since inception | | 9.20% |
| Herald | 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: Phoenix Administration Services Ltd. / Cayenne Asset Management Ltd.

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