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## The Cayenne Trust plc March 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

After reaching a new low at the beginning of March, the FTSE 100 Index rallied strongly to end the month up 2.5%, while the S&P 500 Index recorded an increase of 8.5% and the broader MSCI World Index recovered some 7%. The FTSE 350 Equity Investment Instruments Index, the Trust's most relevant index, was 5.4% higher at month end. Against this background the Trust's NAV increased 4.9%, resulting in a financial year to date decline of 2.1%.

Several new positions were entered into during March, most notably Witan and Invesco Perpetual UK Select. Witan was trading at an historically wide discount to NAV with a portfolio of blue chip global securities. Invesco Perpetual UK Select was bought outside the normally well defended 5% discount level, as market volatility provided an opportunity to gain exposure to Mark Barnett's highly regarded portfolio.

Caledonia was added to at attractive levels using the proceeds from the sale of RIT Capital earlier in the month; however by month end a small purchase of RIT Capital was made as the discount had widened to 14%, a level not seen for many years. The 'switch' detailed above was also necessary as a regulatory requirement and not just on investment grounds: the FSA introduced a rule following the splits crises, not allowing investment companies to invest more than 10% of their assets in other investment companies which themselves invest even limited assets in other investment companies. The implications therefore for the Trust, are that only 10% of its assets at any time can be held in the likes of RIT Capital, British Empire, Alliance Trust and Caledonia. This is an ongoing source of frustration and reflects poorly on the drafting and subsequent passing of such narrow and short sighted regulatory nonsense.

A new position in Jupiter European Opportunities was taken in March as the relative underlying performance of the trust improved markedly and the share price was left behind as the market rallied. Similarly, JP Morgan Euro Growth was added to during the period. Relative value appears to be increasing in the European sector as investors chase yield in UK trusts. The Company now has exposure to European equities through a number of specialist and general funds. As a precaution against potential currency risk, the Company initiated a Euro/Sterling hedge position to insulate it from Euro depreciation. In terms of disposals, Foreign & Colonial was exited at close to NAV, while Law Debenture was reduced as the shares traded at a 16% premium to NAV during March.

As part of the Company's ongoing discount control policy, 109,750 ordinary shares were bought into Treasury.

Top Ten Holdings		Underlying Exposure		Trust Details		Ordinary Shares	
Ecofin Water & Pwr	9.5%	UK	24.9%	NAV per Share		84.74p	
Scottish Mortgage	5.6%	N. America	8.6%	Mid-price per Share		80.50p	
Treasury 4¼% 2011	5.6%	Europe	13.8%	Premium / (Discount)		(5.00%)	
Treasury 4¾% 2010	5.5%	Asia	5.0%	Net Assets		£28.55m	
Apollo Fund	5.0%	Japan	1.5%	Gross Assets		£37.83m	
Electric & General	4.9%	Latin Am	1.6%	Market Cap		£27.12m	
Caledonia	4.0%	Other	15.0%	March NAV Return		4.93%	
3i Group (culs & ord)	3.9%	Cash & FI	29.6%	Financial YTD NAV Return		(2.12%)	
Blackrock World Mg	2.8%	FTSE 100	(15.4%)	IRR since inception		(7.21%)	
Law Debenture	2.7%			Financial Year-end		31 January	
<b>Total</b>	<b>50.5%</b>			Ordinary Shares	(TCT)	33,691,653	
				CULS	(TCTL)	9,171,000	
				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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