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The Cayenne Trust plc May 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

Markets continued their upward trend during the month, albeit at a slower pace than April. There was a slight setback towards the end of the month when the Chinese government increased stamp duty in order to cool the irrational exuberance within their markets. The Bank of England, as widely expected, raised interest rates by a further 0.25% to 5.5%. Markets generally appear to be quite sanguine about more increases, although the strength of the economy is worrying the Bank and further rises are quite possible. The overall upward trend of markets, however, continued to be underpinned by further global M&A activity with several new deals announced. The FTSE 100 finished the month ahead by 2.60% while internationally, the S&P 500 gained 3.15% and the DJ Euro Stoxx 50 closed up 2.66%. The FTSE 350 Equity Investment Instruments Index, the Trust's most relevant index rose by 2.88%; partly aided by the 1% decline in Sterling versus the Dollar during the month. The Trust's NAV was ahead by a satisfactory 1.37% which makes a total return for the financial year to date of 5.39%. This accounts for the 1p dividend which was marked ex on 30th May 2007. The share price (total return) appreciated by 1.23%, causing the discount to widen slightly over the month to finish at 1.97%.

May was a relatively quiet month for trading as the closed end fund market-makers resorted to selling inventory and clients stock to company share repurchase programmes. The Trust disposed of its position in Real Estate Opportunities convertible unsecured loan stock as the Irish property market finally appears to have commenced stagnating after several years of high growth and, although we remain confident of the potential profit to be made from the Battersea Power Station development in London, the equity would seem to be well up with events. The Trust remains committed to its position in the zero dividend preference shares whose asset coverage appears to increase weekly. At close to an 11% yield to redemption these securities now appear to be substantially under-priced and misunderstood by the market. Irish exposure was further reduced by the sale of Gartmore Irish Investment Company. Mid-cap stocks in Europe continue to make gains and profit was taken in JP Morgan Fleming Mercantile and TR European Growth. Positions in New Star Investment Trust and Hansa A were marginally increased. Meanwhile, exposure to the UK higher yield equity sector was increased via the purchase of Schroder Split Trust. An investment was also made in EP Global Opportunities as the discount widened towards 10%.

In anticipation of a potential market setback, adjustments were made to the hedge positions during the month to increase the delta adjusted short exposure. The NAV of Apollo Fund, the Trust's largest position, increased by 1.43% during May.

Top Ten Holdings		Underlying Exposure		Trust Details		Ordinary Shares	
Apollo Fund	14.1%	UK	41.2%	NAV per Share		124.96p	
Electric & General	6.8%	N. America	10.4%	Mid-price per Share		122.50p	
Scottish Mortgage	6.5%	Europe	14.6%	Premium / (Discount)		(1.97)%	
Monks	4.9%	Asia	6.6%	Net Assets		£53.08m	
Fidelity Special Val	4.8%	Japan	3.0%	Gross Assets		£63.23m	
Perpetual Inc & Grth	4.7%	Other	10.1%	Market Cap		£52.03m	
Real Est Opps ZDP	3.9%	Cash & FI	11.4%	May NAV Return		1.37%	
Ecofin Water & Pwr	3.9%	Derivatives	2.7%	Financial YTD NAV Return		5.39%	
Majedie	3.3%			IRR since inception		10.81%	
Utilico	3.1%			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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