



Cayenne Asset Management Limited  
23 Buckingham Gate  
London SW1E 6LB

T: 020 7233 8899  
F: 020 7233 8989  
E: info@cayenneasset.com

## The Cayenne Trust plc November 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, will be invested in Apollo Fund plc, an offshore fund which is managed by Cayenne Asset Management Ltd.

### Investment Manager's Report

US Dollar weakness dominated investor sentiment towards global financial markets during the month. The prospect of a hard landing in the US continues to worry investors, while other developed economies are maintaining signs of strength. This environment has negative implications for equities both in North America and beyond, as exporters to the US come under pressure. Meanwhile, US\$ denominated commodity assets, such as oil and gold, made small gains. Despite current conditions, equities performed relatively well over the month, mainly due to solid gains over the first half. The S&P 500 closed in positive territory, up 1.65% having peaked above the 1,400 level for the first time in six years. UK markets were buoyed by further M&A activity, but eventually the FTSE 100 relinquished positive ground for the month although the FTSE 250 finished 2.91% higher. The Trust's most relevant index, the FTSE 350 Equity Investment Instruments Index, benefited from this environment and appreciated by 0.55%. The Trust made solid gains during the month with the NAV rising by 1.40%. Over the same period, the Trust's share price appreciated by 3.32%. This equates to an NAV gain of 5.11% for the financial year to date and a share price rise of 8.60%.

Portfolio activity remained peripheral with the exception of the realisation of profits in Murray Income on a 4% discount to NAV. The holding in Edinburgh was substantially reduced as the net discount to NAV approached 7% despite the board failing to fully address its structural problems. Monies raised from these sales were allocated to a number of existing positions, including Fidelity Special Values, Perpetual Income & Growth, Utilico and Ruffer. The Trust also established new positions in Hansa Trust A shares and Ecofin Water & Power at discounts to NAV. Exposure to Apollo Fund plc declined to 14.3% due to US\$ weakness. It should be noted that the majority of this position is hedged back into Sterling so that the Trust benefited from Apollo's 1.52% appreciation in November.

The hedge position was adjusted with the sale of some high gamma December 6025 FTSE puts and the purchase of March FTSE puts and September S&P puts which are historically cheap due to low volatility.

Top Ten Holdings		Underlying Exposure		Trust Details		Ordinary Shares	
Apollo Fund	14.3%	UK	39.5%	NAV per Share		115.51p	
Scottish Mortgage	8.7%	N. America	11.3%	Mid-price per Share		116.75p	
Electric & General	6.7%	Europe	13.7%	Premium / (Discount)		1.07%	
Perpetual Inc & Grth	6.1%	Asia	7.5%	Net Assets		£49.06m	
Monks	5.3%	Japan	3.9%	Gross Assets		£59.21m	
Real Est Opps ZDP	4.3%	Other	11.6%	Market Cap		£49.59m	
Utilico Emerging	4.1%	Cash & FI	9.8%	November NAV Return		1.4%	
Advance UK	2.8%	Derivatives	2.7%	Financial YTD NAV Return		5.1%	
TR European Growth	2.7%			IRR since inception		6.2%	
Fidelity Spec. Values	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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