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The Cayenne Trust plc
November 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

November was another difficult and disappointing month for the Trust. Assets were initially marked lower as the FTSE 100 declined 7% but did not recover as the indices rallied to finish virtually unchanged. Despite initially providing valuable protection, the FTSE 100 put positions were of no assistance once fear subsided. The NAV ended the month 3.26% lower versus a 1.80% decline in the FTSE 350 Equity Investment Instruments Index.

The Trust suffered disproportionately as portfolio discounts widened. With a few notable exceptions, even mainstream funds suffered a de-rating over the autumn with the sector average discount widening 200 basis points. Research now shows that the majority of funds with discount controls in place are allowing prices to drift beyond their limits. This situation needs to be addressed swiftly before credibility is lost and these trusts suffer long term damage to their reputations. As we have stated before, there is no reason, other than self interest, why trusts with liquid portfolios should trade at a significant discount to net asset value. We continue to encourage investee companies to take their responsibilities to shareholders seriously.

There were several positive developments over the month. Dunedin Enterprise has agreed to sell its secondary fund holdings and use the money raised to finance tender offers, share buybacks, distributions or a mixture of all three. This should return 15-20% of the NAV at close to parity, yet the shares continue to languish at a 40% discount. Electra continues to realise assets at good prices and at a consistent pace. This activity may slow somewhat in the new year, but recent results were reassuringly robust and the balance sheet is in excellent shape. Aseana has now paid a dividend for the first time and, although this represents a yield of only 3%, there is now scope for a significant capital repayment at NAV over the next year; the shares continue to trade at over a 60% discount. The share price of Utilico's largest holding, Resolute Mining, has increased again and now accounts for over 40% of its assets. Utilico's share price has failed to keep pace with NAV and the discount has widened accordingly. Eventually, shareholder apathy will wain and a mixture of renewed interest and corporate activity should feed through into the market prices of many of the Trust's holdings.

During the month we continued to reduce exposure to 3i Group, Ecofin Water & Power, Thames River Hedge and Utilico Emerging Markets. Conversely, price weakness in Dunedin Enterprise and Electra was used as an opportunity to increase positions in these more attractive opportunities. Caledonia continues to be ignored by investors and, despite repurchases at the margin, the discount widened to over 23%. This is as wide a discount as this stock has traded for many years and appears to represent excellent value for those prepared to patiently await a recovery in rating.

Patience appears to be a rare commodity at present and a lack of investor demand for value stocks has been a continued theme over 2011. Value investing, despite being very profitable over the longer term, appears to have had its time horizon extended due to the current debt crisis. Until there is a definitive solution to these problems, more market turbulence is to be expected and the Trust remains hedged against significant falls. The recent period of poor performance is frustrating but the good news is that most portfolio holdings are performing well despite this uncertain environment with NAVs making steady progress. As a result, the portfolio exhibits significant value and confidence remains that a reversion to mean will be achieved when investors focus on such opportunities.

In fulfilment of its commitment to limit the discount to 5%, the Trust repurchased 222,934 shares. As a result, there are currently 2,568,879 ordinary shares held in Treasury. These shares are available for re-issue at a discount of 4%.

Top Ten Holdings		Underlying Exposure	
Apollo Fund PLC	5.2%	Equity	45.0%
Law Debenture	4.7%	Alt. Equity	26.3%
Dunedin Enterprise	4.4%	Real Estate	11.0%
Caledonia Investments	4.0%	Fixed Int	7.2%
Pantheon Intl	4.0%	Warrants	1.5%
Utilico Investments	3.8%	Cash	8.1%
Treasury China Trust	3.7%	Put Options	0.8%
F&C Private Equity	3.4%	Index Short	
Electra Private Equity	3.3%	Delta Adj	(25.0%)
SVM Global	3.3%	Gross	(95.0%)

NAV / AIC Global Sector to 30 November 2011

	3 Month	6 Month	1 Year	3 Year	5 Year
NAV	(7.6%)	(10.4%)	(3.7%)	43.1%	10.6%
Sector	(3.7%)	(10.4%)	(3.2%)	47.3%	10.4%

Trust Details		Ordinary Shares
NAV per Share		121.21p
Mid-price per Share		117.00p
Premium / (Discount)		(3.47.%)
Mid-price per £100 nom culs		£104.50
NAV Return		(3.26%)
Fiscal Year NAV Return		(8.57%)
NAV Return since inception		16.30%
IRR since inception		2.67%
Net Assets		£49.74m
Gross Assets		£64.58m
Market Cap		£48.42m
Fiscal Year-end		31 January
Ordinary Shares	(TCT)	41,034,031
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.