

THE CAYENNE TRUST PLC

BONUS ISSUE OF UP TO 7.475 MILLION SUBSCRIPTION SHARES AND NOTICE OF GENERAL MEETING

27 April 2009

Introduction

Further to the Company's announcement on 6 March 2009 announcing proposals for a bonus issue of Subscription Shares to existing Qualifying Shareholders, the Board is today publishing its proposals in relation to the Bonus Issue.

As part of the Proposals, and in order to protect the interests of holders of the 3.25 per cent Convertible Unsecured Loan Stock 2011, it is proposed that the Conversion Rate of the CULS is amended to take into account the dilution to the growth in NAV per Share resulting from the exercise of the Subscription Shares.

Background

The Company is an investment trust company, incorporated in 1992. In 2006 its name was changed to The Cayenne Trust plc to reflect the appointment of a new manager; at the same time, the Company adopted a revised investment objective and policy. The Company invests principally in the securities of UK investment trust companies and other closed-end funds, while seeking to ensure preservation of capital by the use of derivatives and similar instruments to the extent permissible under the regulations governing investment trust companies.

As at 23 April 2009 the Company had gross assets of £41.35 million, and net assets of £32.18 million.

The Proposals

Bonus Issue of Subscription Shares

The Company is proposing to issue Subscription Shares, subject to the passing of the Resolution. If the Resolution is passed, Qualifying Shareholders will each receive, without payment, one Subscription Share for every five Ordinary Shares held by them on the Record Date, being 5:00 p.m. on 3 June 2009. Fractions of Subscription Shares will not be allotted or issued and entitlements will be rounded down to the nearest whole number of Subscription Shares. Each Subscription Share will confer the right, but not the obligation, to subscribe for one Ordinary Share on any of 31 December 2009, 31 March 2010 and 30 June 2010 (or if such date is not a Business Day, on the next following Business Day). Such Subscription Rights will be exercisable on payment of the Subscription Price, which will be the price representing a 1 per cent. premium to the (unaudited) Net Asset Value per Share as at the Calculation Date, rounded up to the nearest whole penny. It is expected that an announcement setting out the Subscription Price will be made on 4 June 2009.

Subscription Shares will rank equally with each other and will not carry the right to receive any dividends from the Company. The Ordinary Shares resulting from the exercise of the Subscription Rights will rank *pari passu* with the Ordinary Shares then in issue.

Authority to repurchase Subscription Shares

Shareholders are being requested to grant the Board authority to allow the Company to repurchase up to 14.99 per cent. of the issued Subscription Share capital in issue following completion of the Bonus Issue. Repurchases of Subscription Shares will be made at the discretion of the Board and will only be made when market conditions are considered by the Board to be appropriate and in accordance with the Listing Rules. Any Subscription Shares repurchased by the Company will be cancelled and will not be held in treasury for resale.

Benefits of the Proposals for Existing Shareholders

The Directors believe that the Bonus Issue of Subscription Shares will have the following benefits:

- Qualifying Shareholders will receive a tradable security with monetary value which they may sell in the market and which carries a right to subscribe for Ordinary Shares;
- they represent an attractive way in which investors can participate in any future net asset growth of the Company through subscribing for Ordinary Shares at the Subscription Price;
- on exercise of any Subscription Rights, the assets of the Company will increase which should result in a reduction in the total expense ratio as operating costs will be spread across a larger number of Ordinary Shares; and
- following the exercise of any Subscription Rights, the Company will have an increased number of Ordinary Shares in issue, which may in due course improve the liquidity in the market for its Ordinary Shares.

Performance and Outlook

Over the last three years since the Manager was appointed by the Company the total return per Share has declined 12.24p (11.1 per cent.) compared to falls in the FTSE 350 Equity Investment Instruments Index and FTSE All Share Index of 18.2 per cent. and 20.0 per cent. respectively. However, performance remains strong relative to the Company's peer group in the face of the extreme difficulties in the investment companies sector. While it is too early to say whether financial markets are ready to stage a recovery, the portfolio exhibits some very good value characteristics. The Company currently has one quarter of its assets held in short dated liquid securities which the Manager believes can be reinvested opportunistically as cash is received over the next few months. In addition, should the subscription for new shares be forthcoming there will be opportunity to commit this cash to a sector which is likely to contain shares which demonstrate exceptional reward/risk characteristics.

CULS

The Company has in issue 3.25 per cent Convertible Unsecured Loan Stock 2011. As at 23 April 2009, £9,171,000 remained outstanding. The CULS may be converted into Ordinary Shares on 31 January and 31 July in each year. The Conversion Rate for each £100 in nominal value of CULS is 70.77 Ordinary Shares. This represents a conversion price of £1.413.

There are circumstances in which the issue of the Subscription Shares may negatively impact the holders of CULS if the Conversion Rate is not amended. Accordingly, at the same time as the Bonus Issue is made it is proposed that the Conversion Rate is amended to compensate the Stockholders for the potential dilution resulting from the issue of Subscription Shares, so that the asset growth required to make conversion attractive (i.e. for the CULS to be "in the money") is unchanged by the issue of Subscription Shares.

As at 23 April 2009, the growth in total assets required to increase the Net Asset Value per Share to the CULS conversion price of £1.413 is 37.1 per cent. Following the issue of the Subscription Shares (and assuming that all Subscription Shares are subscribed for Shares) such asset growth would only increase the Net Asset Value per Share to £1.3392, 5.2 per cent. below the unadjusted Conversion Price, as a result of dilution.

For illustrative purposes only, on the assumption that the Conversion Rate was amended based on the NAV per Share as at 23 April 2009, the revised Conversion Rate would be 74.67 Ordinary Shares for each £100 in nominal value of CULS, equivalent to a conversion price, being the effective Ordinary Share price at which CULS convert into Ordinary Shares, of £1.3392.

As part of the Proposals, the approval of Shareholders is being sought to the amendment to the Conversion Rate. Under the terms of the Trust Deed, the approval of Stockholders is required to issue the

Subscription Shares. Accordingly, a meeting of Stockholders has been convened to be held on 4 June 2009 to approve both the Bonus Issue and the amendment to the conversion price (by amending the Conversion Rate). If the approval of Stockholders is not obtained, the Bonus Issue will not proceed.

Admission and dealings

The Subscription Shares will be in registered form and may be issued either in certificated or uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of Subscription Shares in certificated form will be certified against the Register. All documents or remittances will be sent through the post at the risk of the Shareholder. Application will be made to the UK Listing Authority for the Subscription Shares to be admitted to the Official List and to the London Stock Exchange for such shares to be admitted to trading on its Main Market. It is expected that Admission will occur, and that dealings will commence, on 5 June 2009.

Conditions

The Bonus Issue is conditional upon:

- the Resolution being passed by Ordinary Shareholders at the General Meeting (which includes approval by the Shareholders to an amendment to the Conversion Rate); and
- the approval by Stockholders at a meeting of the Stockholders to the issue of Subscription Shares;

General Meeting

To enable the Bonus Issue to proceed, it is necessary to create the Subscription Shares and to grant the Directors the appropriate power and authority to issue the Subscription Shares and allot Ordinary Shares following exercise of the Subscription Rights. The Resolution also seeks approval of Shareholders to an amendment to the Conversion Rate applicable to the CULS. Accordingly, a general meeting of the Company is being convened for Thursday, 4 June 2009 at 2:45 p.m.

Overseas Shareholders

The allotment of the Subscription Shares to persons who have a registered or mailing address in countries outside of the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction.

Accordingly, Overseas Shareholders will not be Qualifying Shareholders for the purposes of the Bonus Issue and any Subscription Shares due to Overseas Shareholders will be allotted to a market maker who will sell such Subscription Shares promptly at the best price obtainable. The proceeds of sale will be paid to the Overseas Shareholders entitled to them save that entitlements of less than £5 per Overseas Shareholder will be retained by the Company for its own account.

ISAs/SIPPs

The Subscription Shares will be a qualifying investment for the stocks and shares component of an ISA. The Subscription Shares acquired pursuant to the Bonus Issue are expected to be eligible for inclusion in SIPPs and SSASs, although this should be confirmed independently by Subscription Shareholders with their professional tax or financial advisers after taking into account the relevant scheme rules.

Expected Timetable

	2009
Record Date for the Bonus Issue	5.00 p.m. on 3 June
Calculation Date	5.00 p.m. on 3 June
General Meeting	2.45 p.m. on 4 June*

Announcement of Subscription Price and amended Conversion Rate	4 June
Admission of Subscription Shares to Official List and dealings in Subscription Shares commence	8.00 a.m. on 5 June
CREST stock accounts credited in respect of Subscription Shares	5 June
Share certificates despatched in respect of Subscription Shares	Week commencing 8 June

* Or as soon thereafter as the AGM has concluded or been adjourned.

Terms used and not defined in this announcement bear the meaning given to them in the Prospectus dated 27 April 2009.

Enquiries:

Len Gayler, Cayenne Asset Management Limited 020 7233 8899
Katie Standley, Winterflood Investment Trusts 020 3100 0297

A copy of the Prospectus will be submitted shortly to the UK Listing Authority and will be available for inspection at the UK Listing Authority's Document Viewing Facility, which is situated at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

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The contents of this announcement include statements that are, or may be deemed to be "forward looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "expect", "intend", "will" or "should". By their nature, forward looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. The Company's actual results and performance may differ materially from the impression created by the forward-looking statements. The Company undertakes no obligation to publicly update or revise forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules). No statement in this announcement is intended to be a profit forecast. Investors should consult a financial adviser authorised under the Financial Services and Markets Act 2000 without delay if they are in any doubt about the action they should take.