



The Cayenne Trust plc

Interim Management Statement 01 August to 31 October 2008

Material Events

During the period under review the Company repurchased 1,412,500 Ordinary Shares and £124,000 (nominal) units of £1.00 3.25% convertible unsecured loan stock. These share repurchases were executed at a weighted average price of £0.9409 which represented discounts on net asset values of between 4% and 6%. The Company currently holds 3,789,500 shares in treasury, approximately 10% of the Ordinary Shares in issue. The CULS were repurchased at 90p and duly cancelled; this equated to an Internal Rate of Return (IRR) of approximately 7.5%.

In September, Cayenne Asset Management Ltd informed your Board that, as a result of significant redemption requests, Apollo Fund plc, would be returning cash to all shareholders. Following returns of capital during and at the end of October, the majority of this process has been completed. It is expected that further payments will be made in due course. The Company's investment in Apollo Fund plc currently accounts for less than 7% of Gross Assets. It is expected that a small number of Apollo's positions, representing up to 25% of the original holding, will be maintained (or held in a similar vehicle) until a more advantageous realisation value is achievable.

The Investment Manager's Report

Cayenne Asset Management Limited reports:

With most major world equity indices falling by 20% or more and with the MSCI World Index down 30%, the three month period under review proved to be an exceptionally difficult quarter. Volatility, both perceived and as measured by the VIX Index was extreme, with the latter achieving a level almost twice that previously recorded when LTCM collapsed or after the World Trade Centre attack. The main casualty was not a single asset class but any investment associated with leverage of any description. Assets favoured by hedge funds were sold off dramatically, property and private equity funds were decimated and corporate bonds traded significantly lower as spreads widened to record levels. Significant unrealised losses were incurred by the Company as some relatively illiquid positions were marked down on little volume into a lack of demand while market-makers had little interest in accumulating book stock. Hedge positions became increasingly expensive to deploy and the risk of significant losses into a bear rally became a real likelihood. As a consequence, the Company took a more defensive stance with a large cash (short-dated Gilt) position and a reduced hedge component to effectively shrink both sides of the balance sheet. In hindsight, this was applied too early at the end of September as further extreme declines were experienced in October. In all, this was a poor quarter for the Company but one which was survived. The same cannot be said for many funds in recent times where leverage and dubious asset quality have inflicted terminal damage. These are difficult times for value investors in closed-end funds but we continue to see real value and inherent quality in your Company's portfolio as we strive to ensure that these pricing anomalies are eradicated over time.

Regular readers of the Company's Monthly Investment Managers Report will be acutely aware of some of the positions which have inflicted most damage over the last three months. Of note and of greatest disappointment is the poor performance of the utility holdings, Utilico, Utilico Emerging and Ecofin Water & Power which together accounted for losses equating to over £2m. Other notable declines were experienced by 3i, Henderson Opportunities and Gartmore Irish. Scottish Mortgage shocked investors by collapsing nearly 50% hence giving up four years of excellent relative and absolute returns. It will certainly become much more difficult to market Scottish Mortgage to 'widows and orphans' in future especially as Alliance Trust sits on a 20% discount to NAV with significantly better medium term performance.

Unfortunately, it is again necessary to highlight the Company's worst performing investment; Real Estate Opportunities (REO) zero dividend preference shares (zdp). The position has collapsed in value and now demonstrate an indicative yield in excess of 70% to maturity in May 2011. In other words, the current share price of 56p will become 235p in under three years assuming the company remains solvent and refinancing is forthcoming when current loans fall due. REO recently refinanced some loans and is working towards further finance over the next couple of years. 2011 will be a crucial year for the company as development work commences and loan maturities coincide but it must be remembered that the large majority of project costs associated with current plans will be incurred after the zdp's have been repaid. Again, we remind investors that the principal managers of REO, Treasury Holdings, would have lost its entire significant investment in REO ordinary shares if the zdps were not paid out in full.

There are many deeply discounted opportunities available to the Managers at present and it is extremely tempting to take advantage of some of these apparent 'once-in-a-lifetime' situations. Extreme care is being taken though as many of these opportunities could turn out to be value traps where the current ratings are fully justified. The Manager has identified a number of attractive situations and has started to build positions in some of them. Alliance Trust appears totally mispriced and was purchased at a price representing a discount in excess of 22%. LMS Capital and China Real Estate Opportunities, two funds which the Manager knows especially well, were marked down to extremely attractive levels during October when small purchases were made. As commodity markets appeared to be entering capitulation territory the Company made its first direct investment in the sector by purchasing a small position in Blackrock World Mining at a 20% discount. This commodity exposure was later complimented by a small investment in Artemis Alpha. These purchases were financed by sales of British Empire, Murray Income and Perpetual Income & Growth all at premiums to their NAV. Sales of Aberforth Smaller and Caledonia were completed during the period

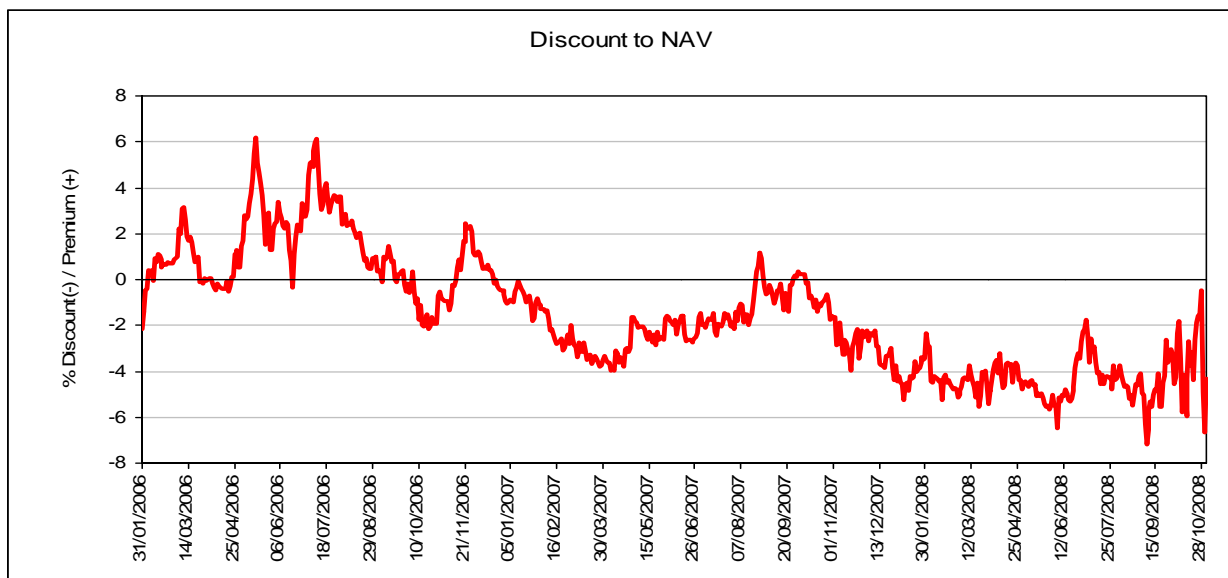
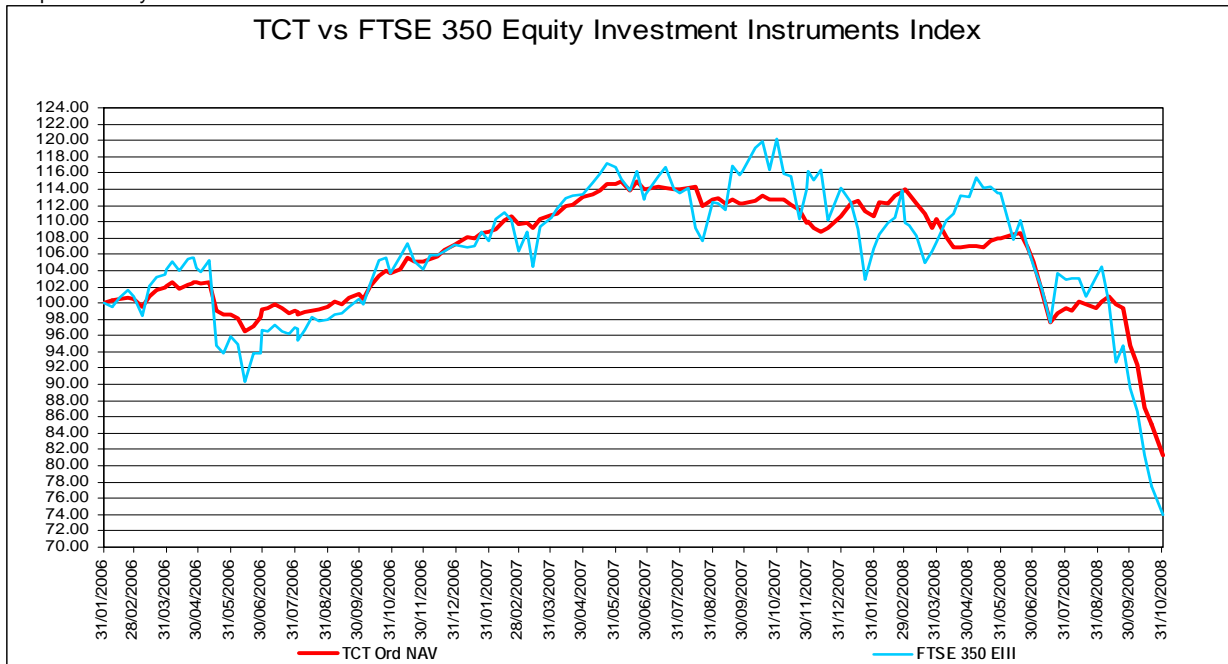
The Company's monthly newsletters are available on the website (see below):

Financial Position

The Net Asset Value of the Company at 31 October 2008 was £29,771,766 which equates to 87.29p per share at which date, the mid-price of the Company's shares was 83.50p. By way of comparison, at 31 January 2008, the NAV and share price were 120.62p and 117.75p respectively. The Company's shares are listed on the London Stock Exchange and its NAV is released daily via the LSE on RNS. Up to date information concerning the Company's financial position can be found at www.thecayennetrust.com. In addition to shareholder funds, there is £9.171 million of convertible unsecured loan stock outstanding. Prior to conversion, this loan stock acts as structural gearing for shareholders amounting to 131% of equity. Stock holders can convert at a rate of 70.77 Ordinary shares per £100 nominal of CULS in the years to 2011. At 31 October 2008, The Cayenne Trust had total assets of £39,017,940. At 25 November 2008, the last date prior to the publication of this report, the NAV per share was 87.96p and the share price was 84.50p.

Financial Performance

The Company aims to achieve consistent positive absolute returns and, as such, performance should not be measured against stock market or other indices. If, however, investors consider that an index comparison is relevant, the Company's most relevant benchmark is the FTSE 350 Equity Investment Instruments Index. Over the third quarter, this index fell by 28.2%; while your Company's NAV depreciated by 18.2%.



Top Ten Holdings		Underlying Exposure		Trust Details at 31 October 2008		Ordinary Shares	
Treasury 4% 2009	9.0%	UK	30.1%	NAV per Share	87.29p		
Ecofin Water & Pwr*	8.6%	Europe	14.3%	Mid-price per Share	83.50p		
Apollo Fund plc	6.3%	Other	14.0%	Premium / (Discount)	(4.34)%		
Treasury 4¾% 2010	5.3%	N. America	9.2%	Net Assets	£29.77m		
Electric & General	5.1%	Asia	4.0%	Gross Assets	£39.02m		
Scottish Mortgage	5.1%	Japan	1.9%	Market Cap	£28.48m		
Law Debenture	4.4%	Latin America	1.5%	Q3 NAV Return	(18.59%)		
Ishares FTSE 100	3.9%	Derivatives	3.9%	Q3 Share Price Return	(18.54%)		
Schroder Inc Growth	3.7%	Cash & Fixed Int	21.1%	NAV IRR since inception	(7.26%)		
New Star Inv Trust	3.4%			Share Price IRR since inception	(7.99%)		
				Financial Year-end	31 January		
				Ordinary Shares (TCT)	34,106,500		
				CULS (TCTL)	9,171,000		
				Management Fee:	1%		
				Performance Fee:	10% above hurdle rate		
				Hurdle Rate:	5% per annum		
				High Water Mark:	Yes		

* Aggregate holding across all classes

This Interim Management Statement is solely for information purposes and is not intended to be, and should not be construed as, an offer or recommendation to buy or sell investments. If you are in any doubt as to the appropriate course of action, you are recommended to consult an independent financial advisor. The value of an investment in the Company, and the income derived from it, may go down as well as up and an investor may not get back the amount of money invested. The Company seeks to preserve capital and minimise volatility by the use of derivative instruments however, there is no guarantee that this strategy will be effective and therefore the value of the Company's investments may fall. The price of the Shares will be determined by supply and demand in the market as well as NAV per Share. The market price of the Shares is therefore likely to fluctuate and may represent either a premium or discount to NAV per Share. The use of borrowings (including CULS) should enhance returns to shareholders if the value of underlying assets rises but it will have the opposite effect if assets decline. Past performance of the Company is not a guide to its future performance.

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