



## The Cayenne Trust plc

Interim Management Statement 01 February to 30 April 2008

### Material Events

During the period under review the Company repurchased 1,253,000 Ordinary Shares and £675,000 (nominal) units of £1.00 3.25% convertible unsecured loan stock. These share repurchases were executed at a weighted average price of £1.166 which represented discounts on net asset values of between 4.7% and 5.0%. The Company currently holds 4,139,000 shares in treasury, approximately 10% of the Ordinary Shares in issue. The CULS were repurchased at 92p and duly cancelled; this equated to an Internal Rate of Return (IRR) of 6%.

As noted in the Annual Report and Accounts, Cayenne Asset Management had already repaid to the Company all VAT charged under its management of the portfolio. The Board now understands that HMRC is repaying VAT to those who are submitting valid claims in relation to this matter. The company continues to pursue a refund of VAT charged by the previous manager.

### The Investment Manager's Report

Cayenne Asset Management Limited reports:

Volatility continued during the period under review with large intra and inter day swings in equity markets, resulting in a particularly difficult period for the Company. Portfolio holdings initially declined but failed to participate in any rally thus failing to counteract losses made in the hedge positions as markets recovered following the rescue of Bear Stearns. Times like these are difficult for value investors in closed-end funds as market participants seek refuge in more liquid assets and lack the patience to embark on longer term investments. Over time, this disparity in performance between some of your Company's more esoteric assets and equity indices should be eliminated and hopefully reversed. It is impossible to predict when this might occur, but, in the meantime, confidence remains that the portfolio is ripe with value and this will be realised over time.

For example Prelude Trust, which shareholders will recall has caused some distress over the past 12 months announced, after the period end, that a sale of its portfolio had been agreed. This will result in receipt of cash at a 20% premium to 30 April market valuation. Your Company has been in talks with the Board, Managers and Advisors of Prelude over the past few months and is satisfied that, in the current climate, this is the best available outcome from what had become a hugely disappointing investment. Other investments which have caused a notable drag on performance since purchase include New Star Investment Trust, Majedie, EP Global and Henderson Opportunities. The first three are significantly undervalued and we await the re-rating of their share prices. In the meantime, the Company has been increasing exposure at attractive valuations. Henderson Opportunities has found markets particularly difficult since reorganisation and consideration is currently being given to a number of options open to the Company to maximise the value in this position.

Two further investments deserve comment here, despite being highlighted in previous reports: Real Estate Opportunities zero dividend preference shares remain an enigma as an IRR of 16% now suggests that they are priced for default; an outcome which, with the ordinary shares priced at over 100p with a market capitalisation of £350 million, seems increasingly unlikely. Meanwhile, the managers of ING UK Real Estate continue to provide comfort that they are navigating the treacherous waters of commercial property market with diligence and a positive outcome to this investment is expected over the medium term. At a discount of over 30% to March 31<sup>st</sup> 2008 NAV, further significant declines in the portfolio's valuation would seem to have been priced into the current share price. Recent stock market recovery has allowed the Company to take significant profit in Monks and some proceeds were re-invested in Law Debenture Corporation. Further opportunistic investing is being carried out when markets allow for advantageous terms to be presented.

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

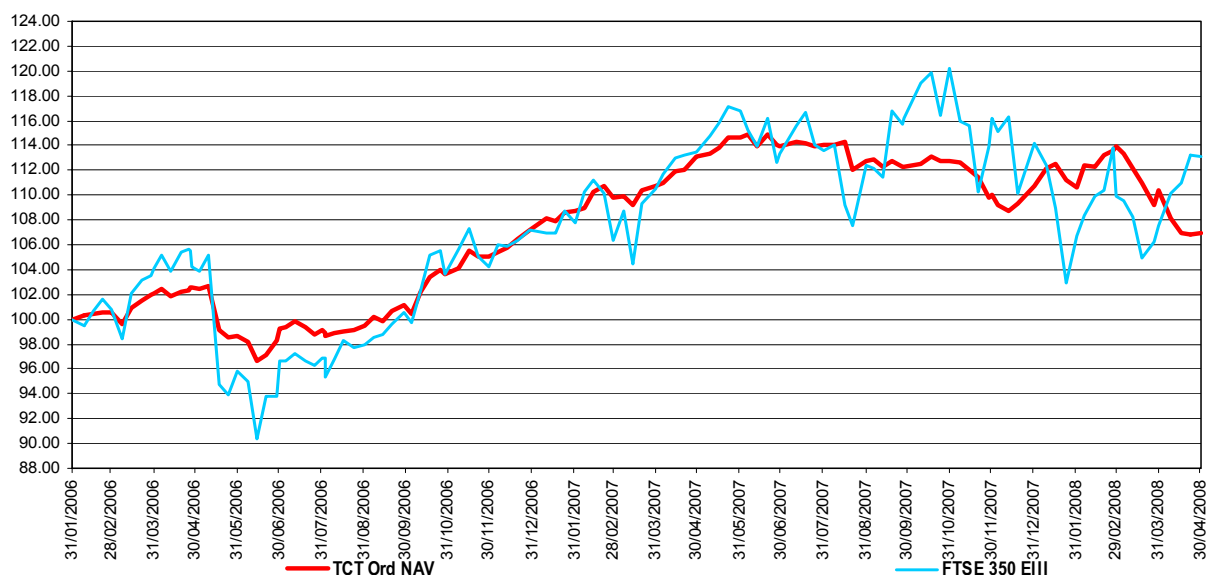
### Financial Position

The Net Asset Value of the Company at 30 April 2008 was £42,878,851 which equates to 115.10p per share at which date, the mid-price of the Company's shares was 110p. 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](http://www.thecayennetrust.com). In addition to shareholder funds, there is £9.325 million of convertible unsecured loan stock outstanding. Prior to conversion, this loan stock acts as structural gearing for shareholders, which equates to approximately 122%. Stock holders can convert at a rate of 70.77 Ordinary shares per £100 nominal of CULS in the years to 2011. At 30 April 2008, The Cayenne Trust had total assets of £52,378,021. At xx May 2008, the last date prior to the publication of this report, the NAV per share was 115.68p and the share price was 110.25p.

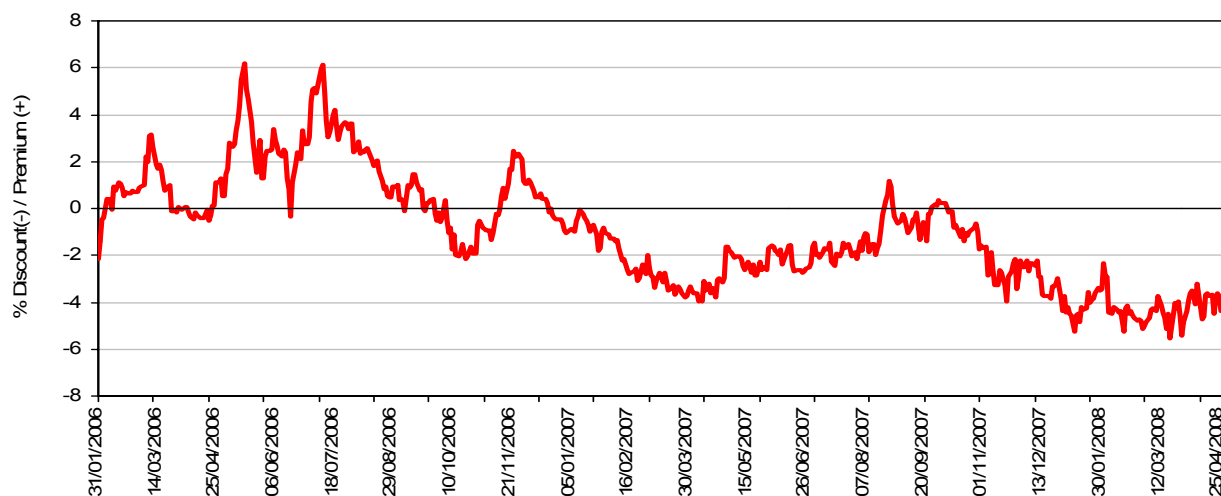
## Financial Performance

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 first quarter, this index rose by 5.90%; while your Company's NAV depreciated by 3.33%.

### TCT vs FTSE 350 Equity Investment Instruments Index



### Discount to NAV



Top Ten Holdings		Underlying Exposure		Trust Details at 31 October 2007		Ordinary Shares	
Apollo Fund plc	15.4%	UK	34.3%	NAV per Share		115.55p	
Ecofin Water & Pwr*	7.2%	Europe	16.5%	Mid-price per Share		110.00p	
Electric & General	7.0%	Cash & FI	10.5%	Premium / (Discount)		(4.80)%	
Scottish Mortgage	6.2%	Other	13.9%	Net Assets		£43.05m	
Law Debenture	5.2%	N. America	9.5%	Gross Assets		£52.57m	
Real Est Opps*	4.8%	Asia	7.4%	Market Cap		£40.98m	
Perpetual Inc & Gth*	4.8%	Latin America	2.0%	Q3 NAV Return		(3.33%)	
Utilico*	4.5%	Japan	2.6%	Q3 Share Price Return		(6.58%)	
Treasury 03/2009	3.8%	Derivatives	3.3%	NAV IRR since inception		3.04%	
New Star Inv Trust	3.4%			Share Price IRR since inception		1.84%	
*Aggregate holdings across all classes				Financial Year-end		31 January	
				Ordinary Shares (TCT)		41,391,643	
				CULS (TCTL)		9,325,000	
				Management Fee:		1%	
				Performance Fee:		10% above hurdle rate	
				Hurdle Rate:		5% per annum	
				High Water Mark:		Yes	

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.