

Xenon Alpha Plus1 (Xenon1) are redeemable preference shares carrying a return linked to the performance of the Alpha Plus Portfolio. The shares are issued by Deutsche Xenon Limited. The Alpha Plus Portfolio is designed to generate returns linked to the performance of two funds of hedge funds: the Ivy Rosewood Diversified Fund and Silver Creek Low Vol Strategies.

### Performance review

Performance (to 30 June 2005)	Xenon Alpha Plus1	UBS Composite Bond Index	ASX 200 Accumulation Index	S&P/ASX 500 Accumulation Index hedged in USD
One month	1.95%	0.58%	4.79%	0.14%
Three months	-2.93%	3.23%	4.97%	1.37%
Six months	-1.90%	3.19%	7.84%	-0.81%
Year to date	-1.90%	3.19%	7.84%	-0.81%
Since inception 25 November 2004	1.47%	3.41%	12.16%	12.16%

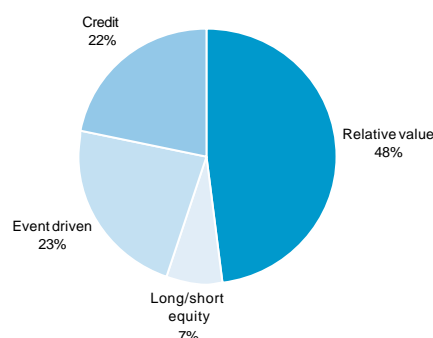
Source: Deutsche Bank

Monthly performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004												3.70%	3.70%
2005	-0.53	2.06%	-0.46%	-3.28%	-1.55%	1.95%							-1.90%

Source: Deutsche Bank

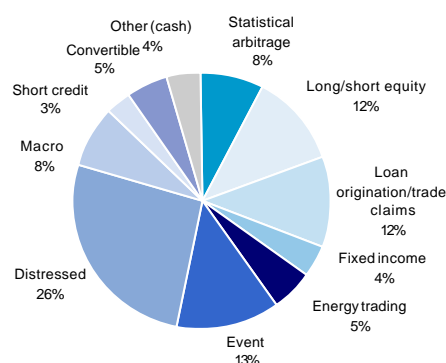
Ivy allocation by strategy as at 30 June 2005	
	% of fund
Relative value	48%
Long/short equity	7%
Event driven	23%
Credit	22%
Total	100%

Source: Ivy Asset Management



Silver Creek allocation by strategy as at 30 June 2005	
	% of fund
Statistical arbitrage	8%
Long/short equity	12%
Loan origination/trade claims	12%
Fixed income	4%
Energy trading	5%
Event	13%
Distressed	26%
Macro	8%
Short credit	3%
Convertible	5%
Other (cash)	4%
Total	100%

Source: Silver Creek



## Portfolio performance

For the second quarter of 2005, the Xenon1 Alpha Plus Portfolio decreased by 2.93%. Combined with its performance since inception, Xenon1 has a total growth of 1.47%.

The Sliver Creek account has contributed 6.86% of performance and the Ivy account has contributed -5.39% to performance since inception.

As a result of Additional Leverage, the total leverage employed per Xenon1 share has been increased from \$2.50 to \$2.60 and has been allocated in accordance with the Investment Allocation Mechanism to the Silver Creek Account. Within the Ivy Account, an order has been placed to allocate approximately 10% to the Ivy Cash Facility.

## Macro review

The second quarter proved a difficult period for several hedge fund strategies as April and May met with a serious liquidity crisis as high profile names such as GM and Ford received credit down grades motivating several managers to move to protect capital. Although many strategies were below targets, the threat of a liquidity crisis did not materialise and strategies reversed their fortunes in June. Over the quarter the UBS Composite Bond Index moved 3.32% higher, the S&P 500 Accumulation Index was 1.37% higher in USD terms and the S&P/ASX 200 Accumulation Index was up 4.97%.

Silver Creek's allocation to managers has remained stable while Ivy has added:

- a long/short manager who focuses on small and mid cap companies;
- a low volatility manager focusing on US based high yield credit; and
- a European credit manager who manages both long and short positions.

Several managers were removed from the Ivy portfolio as returns no longer met the portfolio targets.

## Strategy review

**Long/short.** These managers were generally the largest profit contributors to the Ivy portfolio. Managers found value in both long and short trading as the markets sold off in April and rebounded later in the quarter. During the period selective short trading in Media stocks proved profitable as did long trading in Telecoms stocks. Consumer stocks showed significant dispersion while large caps lagged small caps.

**Event driven.** The sector picked up in the area of merger arbitrage as the global deal volume is estimated at US\$253 billion. Special situation managers are increasingly allocating to private and non-US transactions and becoming more involved in shareholder activism.

**Distressed.** Profitable opportunities were available in situations involving long dated liquidations such as Enron and World Com. Some distressed focused managers have been observed with cash balances in anticipation of new opportunities.

**Relative value.** Both Silver Creek and Ivy remain cautious on convertible arbitrage strategies, allocating only to managers who are selective in their trading strategies. Observers stated this as one of the worst periods for convertible strategies in the last 15 years even though some rebound in prices occurred in June.

**Credit.** These strategies regained traction after a sell off in April through to mid May. During the quarter there were many stories of double digit losses but the Silver Creek and Ivy funds appear to have minimal exposure to funds or strategies that were named in the press.



**Important notice.** This publication is provided to you for information purposes only and is not intended as an offer to enter into any transaction. The information contained in it is not necessarily complete and its accuracy cannot be guaranteed. We have prepared this publication without consideration of the investment objectives, financial situation or particular needs of any individual investor. You should consider your own investment objectives, financial situation and particular needs before taking any action with respect to a financial product referred to in this publication and obtain a prospectus relating to any such financial product (if available) and consider it before making any decision about whether to acquire the product.

In distributing this publication, we are assuming that your organisation is capable of evaluating the merits and risks of any transaction described in it, its suitability for your organisation's purposes and its legal, taxation, accounting and financial implications and that in making this evaluation you are not relying on any recommendation or statement by us. In particular, we are not acting as your adviser or assuming any duty of care in this respect.

To the extent permitted by applicable law, none of Deutsche Bank AG, its affiliates, or any officer or employee of Deutsche Bank AG or any of its affiliates, accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents, including for negligence. Deutsche Bank AG, its affiliates and their respective officers, directors, partners and employees, including persons involved in the preparation or issuance of this publication, may have an interest in the securities of any entity referred to in this publication. For example, they may deal in, hold or act as market-makers for the securities (or derivatives of them) or act as advisers, brokers or bankers to the issuer of the securities, or derivatives of the securities, or be represented on the board of such persons. Deutsche Bank AG or its affiliates may act as arranger or underwriter of issues of securities the subject of this publication.

Copyright protection exists in this publication. The contents of this publication may not be reproduced, distributed or published by any person for any purpose without our written consent.

