

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 September 2005)	Xenon Alpha Plus1	UBS Composite Bond Index	ASX 200 Accumulation Index	S&P/ASX 500 Accumulation Index hedged in USD
One month	3.78%	-0.62%	5.08%	0.81%
Three months	6.86%	0.66%	9.98%	3.60%
Six months	3.73%	3.91%	15.44%	5.02%
Year to date	4.82%	3.87%	18.61%	2.77%
Since inception 25 November 2004	8.43%	4.09%	23.35%	5.49%

Source: Deutsche Bank

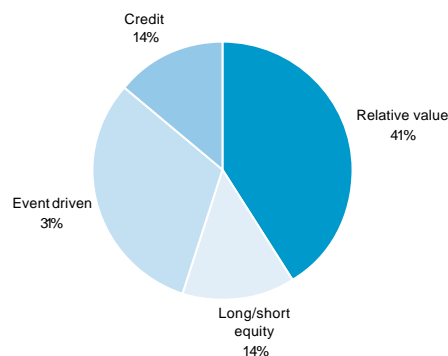
Monthly perf.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004												3.44%	3.44%
2005	-0.53	2.06%	-0.46%	-3.28%	-1.55%	1.95%	1.70%	1.24%	3.78%				4.82%

Source: Deutsche Bank

Ivy allocation by strategy as at 30 September 2005

	% of fund
Relative value	41%
Long/short equity	14%
Event driven	31%
Credit	14%
Total	100%

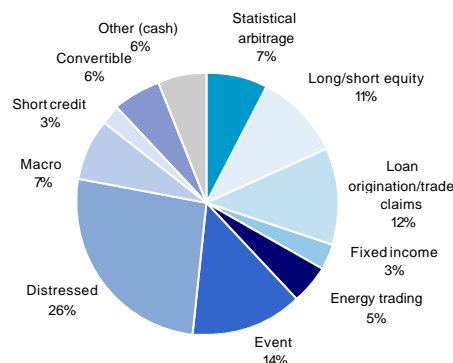
Source: Ivy Asset Management



Silver Creek allocation by strategy as at 30 September 2005

	% of fund
Statistical arbitrage	7%
Long/short equity	11%
Loan origination/trade claims	12%
Fixed income	3%
Energy trading	5%
Event	14%
Distressed	26%
Macro	7%
Short credit	3%
Convertible	6%
Other (cash)	6%
Total	100%

Source: Silver Creek



Portfolio performance

For the third quarter of 2005, the Xenon1 Alpha Plus Portfolio increased by 6.86%. Combined with its performance since inception, Xenon1 has a total growth of 8.43%.

The Silver Creek account has contributed 9.55 percentage points of performance and the Ivy account has contributed negative 1.12 percentage points to performance since inception.

As a result of Additional Leverage, the total leverage employed per Xenon1 share is \$2.53. In accordance with the Investment Allocation Mechanism, approximately 10% of the Ivy account has been allocated to cash.

Macro review

The third quarter generally recorded strong results for hedge fund strategies, particularly in light of market challenges. In the US, Hurricane Katrina sidelined a significant portion of US oil refining capacity, while in Europe, terrorist attacks in London disrupted markets and commanded headlines while late in the quarter the inconclusive German elections impacted markets.

Over the quarter the UBS Composite Bond Index moved 0.66% higher, the S&P 500 Accumulation Index was 3.6% higher in USD terms and the S&P/ASX 200 Accumulation Index was up 9.98%.

On 17 August, Silver Creek announced a significant write-down in relation to a position in fund manager, Bayou, which had been placed in liquidation. Although the Silver Creek Fund was up over the quarter, the event did have a negative impact on performance by virtue of a small exposure to Bayou via one of its sister funds, Silver Creek Long/Short Partners L.P.

Despite this, the Silver Creek Fund posted positive returns in each month of the quarter.

Silver Creek's allocation to managers has otherwise remained materially unchanged over the quarter, while Ivy has added three managers and removed three. Those added were:

- an event driven, multiple strategy and special situations manager;
- a diversified, global equity long/short hedge manager; and
- a long/short equity manager that invests primarily in US small and mid-cap companies.

Three managers were removed from the Ivy portfolio as returns no longer met the portfolio targets:

- a convertible arbitrage manager;
- a credit multi-strategy manager; and
- a long/short credit manager.

Strategy review

Long/short. These managers generally performed strongly during the quarter. This was not specifically due to market timing, but rather due to manager conviction of their specific stock ideas and expected increases in corporate profitability. Sector specialists performed well on average despite continued volatility in the financial, technology and consumer areas, and US based generalist managers with significant energy exposure also performed well relative to the market.

Event driven. In this sector returns during the quarter were driven primarily by company specific situations, as well as positive exposure to plays in the energy sector. Profits were also generated by manager exposure to the Enron liquidation as creditors received cash distributions from litigation settlements and the sale of assets.



Distressed. Managers in the distressed space generally recorded positive performance over the quarter, despite a lacklustre environment and some modest spread widening. Although the dollar amount of debt defaulting year-to-date is up almost 75% on the same period last year, manager expectation is that we are still at the lower end of the default cycle.

Relative value. These strategies experienced a recovery over the quarter. Convertible arbitrage managers in particular rebounded strongly, much of which was attributable to a continued rally following

May's oversold levels. In addition, a pick-up in equity volatility assisted returns while heavier interest rate hedges protected managers from September's rise in 10 year US Treasury yields.

Credit. These strategies generally posted consistently positive returns during the quarter over a period considered uneven for credit markets overall. Long/short credit managers, US based multi-strategy credit managers and structured credit managers were the better performers in this sector.

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