



Xenon Alpha Plus2 are redeemable preference shares carrying a return linked to the performance of the Alpha Plus Portfolio. The shares are issued by Deutsche Xenon Alpha Plus2 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 the Meridian Diversified Fund.

Performance review

Performance (to 30 September 2005)	Xenon Alpha Plus2	UBS Composite Bond Index	ASX 200 Accumulation Index	S&P/ASX 500 Accumulation Index hedged in USD
One month	1.39%	-0.62%	5.08%	0.81%
Three months	6.76%	0.66%	9.98%	3.60%
Six months	na	3.91%	15.44%	5.02%
Year to date	9.00%	3.87%	18.61%	2.77%
Since inception 27 May 2005	9.00%	1.24%	14.97%	3.12%

Source: Deutsche Bank

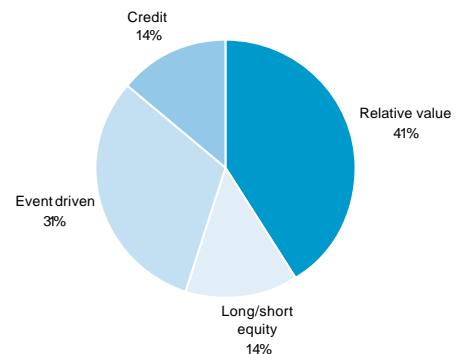
Monthly performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2005						2.10%	3.88%	1.37%	1.39%				9.00%

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%

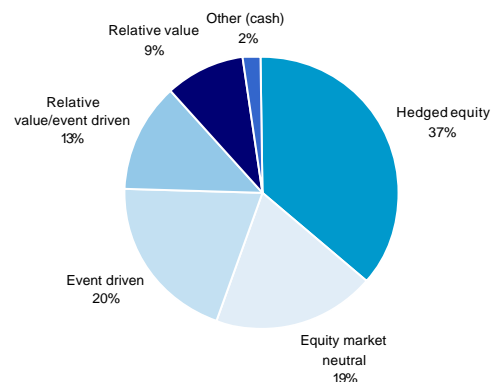
Source: Ivy Asset Management



Meridian allocation by strategy as at 30 September 2005

	% of fund
Event driven	20%
Relative value/event driven	13%
Relative value	9%
Equity market neutral	19%
Hedged equity	37%
Other (cash)	2%
Total	100%

Source: Meridian



Portfolio performance

For the third quarter of 2005, the Xenon Alpha Plus2 Portfolio increased by 6.76%. Combined with its performance since inception, Xenon Alpha Plus2 has a total growth of 9.00%.

The Meridian account has contributed 3.4 percentage points of total performance and the Ivy account has contributed 5.6 percentage points to total performance since inception.

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%.

Meridian's allocation to managers remained 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. Certain sector specialists performed well despite continued volatility in the financial, technology and consumer areas, and US based generalist managers with significant energy exposure also generally performed well relative to the market.

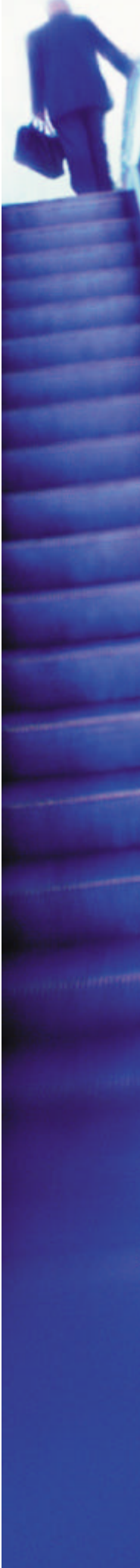
Event driven. In this sector returns during the quarter were driven primarily by company specific special situations as well as positive exposure to plays in the energy sector. Profits were also generated by manager exposure to the Enron liquidation as creditors received cash distributions from litigation 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, expectation is that we are still at the lower end of the default cycle.

Relative value. These strategies generally 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 on 10 year US Treasury yields.

Credit. These strategies typically 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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