xenon
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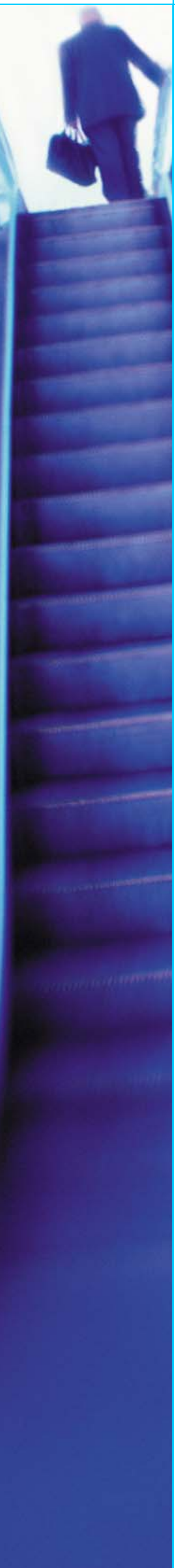
Xenon Alpha Plus2

September 2006 quarterly report



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 2006)	Xenon Alpha Plus2	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation in USD
One month	-10.00%	0.82%	1.33%	2.58%
Three months	-8.69%	1.97%	2.90%	5.67%
Six months	-11.33%	1.98%	2.70%	4.14%
Annualised return since inception on 27 May 2005[1]	4.64%	4.80%	21.39%	8.86%

(1) Represents the compound average growth rate since inception on 27 May 2005
Source: Deutsche Bank

Percentage change in net asset value[1]

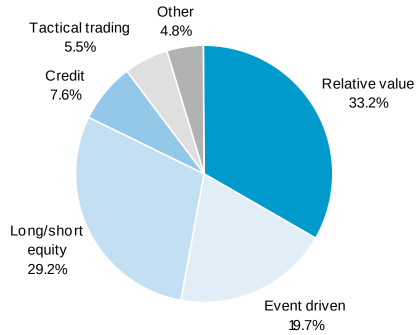
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD[2]
2005						2.1%	3.9%	1.4%	1.4%	-3.7%	2.3%	3.2%	10.8%
2006	6.0%	0.1%	1.9%	3.7%	-4. 9%	-1.6%	-1.6%	3.1%	-10.0%				-4.09%

(1) Represents the percentage change each month in the net asset value of Xenon Alpha Plus2
(2) Represents the year to date percentage change in the net asset value of Xenon Alpha Plus2
Source: Deutsche Bank

Ivy allocation by strategy as at 30 September 2006

	% of fund
Relative value	33.2%
Long/short equity	19.7%
Event driven	29.2%
Credit	7.6%
Tactical trading	5.5%
Other	4.8%
Total	100.0%

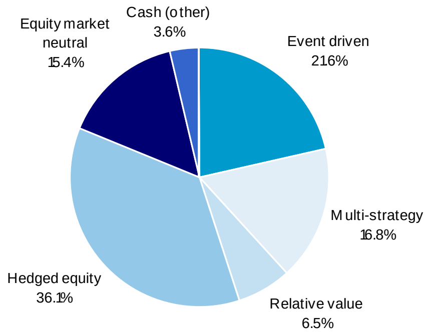
Source: Ivy Asset Management



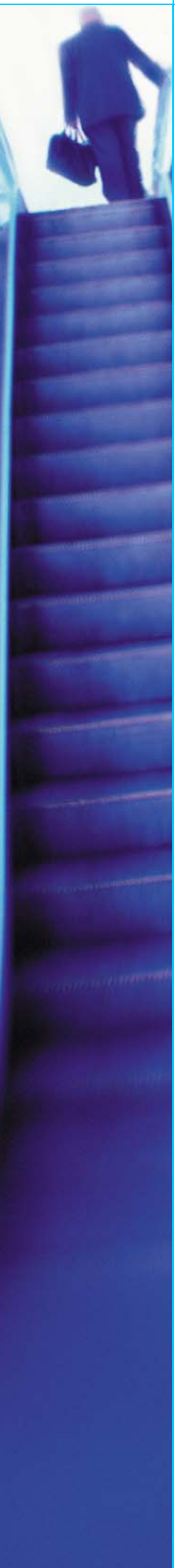
Meridian allocation by strategy as at 30 September 2006

	% of fund
Event driven	21.6%
Multi strategy	16.8%
Relative value	6.5%
Equity market neutral	15.4%
Hedged equity	36.1%
Other (cash)	3.6%
Total	100.0%

Source: Meridian



A Passion to Perform. Deutsche Bank



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Portfolio performance

For the third quarter of 2006, the Xenon Alpha Plus2 Portfolio decreased by 8.69%. Combined with its performance since inception in May 2005, Xenon Alpha Plus2 has recorded an annualised return of 4.64%.

During the quarter the Meridian account has contributed 1.0 percentage points to total performance and the Ivy account has contributed -9.7 percentage points to total performance.

The total leverage employed per Xenon Alpha Plus2 share remained unchanged at $2.32 per Share.

Macro review

Since the second quarter of 2006, global equity markets have steadied and credit markets have remained buoyant. Market behaviour has generally demonstrated a reversal of the risk aversion seen in the second quarter of 2006.

In the US, the Federal Reserve left interest rates unchanged, ending a streak of 17 consecutive rate increases. In Europe, the economy produced mixed statistics as the European Central Bank continued with its generally hawkish tone (while GDP data was strong, there were marginal declines in industrial production and inflation). In Japan, a change in Prime Minister raised some concerns as to whether the new Prime Minister would be committed to continuing the policy of financial reform instigated by his predecessor.

Over the quarter the UBS Composite Bond Index moved 1.97% higher, the S&P 500 Accumulation Index was 5.67% higher in US dollar terms and the S&P/ASX 200 Accumulation Index was up 2.90% in Australian dollar terms.

In general, hedge funds experienced a difficult quarter between moderate returns and negative press surrounding the significant losses recorded by Amaranth Advisers LLC.

Ivy has made no additional comment in relation to its exposure to Amaranth since that set out in the third quarter interim Xenon Alpha Plus2 performance report.

The Meridian Fund added two new funds to its portfolio in the third quarter and materially completed a divestment in one fund where capital was deployed to investments Meridian believes to be more suitable.

Strategy review

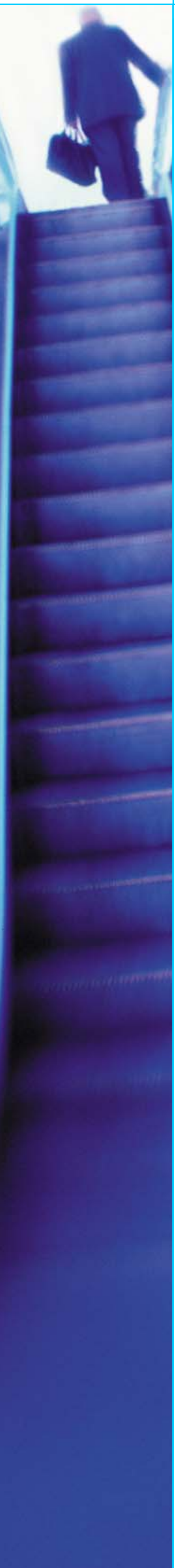
Long/short. During the quarter, global equity markets advanced as the fundamentals continued to improve. Market fluctuations generated by daily macro news, however, also contributed in some cases to a difficult environment for fundamentally focused managers.

Event driven. Managers in this sector largely recorded positive results with those involved in special situations modestly outperforming those in distressed investing (although the auto segment provided fertile ground for some distressed managers). Many event driven managers also benefited from historically low levels of high yield default rates.

Credit. Managers focused on credit strategies generally recorded modestly positive results, although movements in credit spreads were often a less significant contributor to returns as compared to movements in government bond markets. Global interest rates dropped significantly from their peak levels in late May and early June and high yield bonds have generally responded favourably.

Relative value. The majority of the relative value multi-strategy managers recorded positive results despite the continued low levels of volatility. Many managers were able to preserve gains built up over the year and benefited from a benign credit market and from event-specific activity. This is, however, in contrast to the experience of Amaranth (which is classified as a relative value hedge fund), which recorded a significant decline in performance.

Tactical trading. The results of tactical trading managers were mixed, thought to be generally due to the instability in trends in the currency, fixed income, equity and commodities markets.



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