

25 October 2006

Xenon Alpha Plus1 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 Fund (the performance of which is based on the performance of the Ivy Rosewood Diversified Fund) and the Silver Creek Fund.

Interim update

In the June 2006 quarterly report, we advised that subsequent to quarter end, Deutsche Xenon became aware that Amaranth had received attention in the international press due to media reports of significant losses incurred in the month of September 2006. Recently, such reports have suggested that losses incurred by the Amaranth Funds may be in excess of 65% of its assets for the 2006 calendar year to date.

Since the date of publication of the June 2006 quarterly report, Deutsche Xenon has been told the following by Ivy:

- according to Amaranth Advisors LLC (**Amaranth**) (the hedge fund manager of the Amaranth Funds), the Amaranth Funds experienced significant mark-to-market losses in their natural gas portfolio. To prevent further losses and to reduce the risk of defaulting on margin calls, Amaranth stated that it transferred these positions to a third party at a price that resulted in additional significant losses. Amaranth further stated that other positions were sold to generate the funds required to avoid default under certain counterparty documents;
- Ivy Fund has requested a full divestment of its position in the Amaranth Funds and Amaranth has acknowledged receipt of the Ivy Fund's redemption notices;
- due to the receipt of substantial redemption requests, Amaranth has begun to liquidate the remaining positions held by the Amaranth Funds so that it can make pro rata distributions to investors. Amaranth has hired Fortress Investment Group LLC to assist them with this effort;
- to date, several regulatory agencies, including the US Securities and Exchange Commission, have requested documents from Amaranth for review. According to Amaranth, they have fully complied with these requests; and
- the Amaranth Funds are classified as relative value (multi-strategy) hedge funds.



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