

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 31 December 2006)	Xenon Alpha Plus2	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation in USD
One month	3.27%	-0.30%	3.69%	1.40%
Three months	11.71%	0.28%	10.94%	6.70%
Six months	2.01%	2.26%	14.16%	12.74%
Annualised return since inception on 27 May 2005 ⁽¹⁾	11.35%	4.35%	24.61%	11.14%

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

Percentage change in net asset value⁽¹⁾

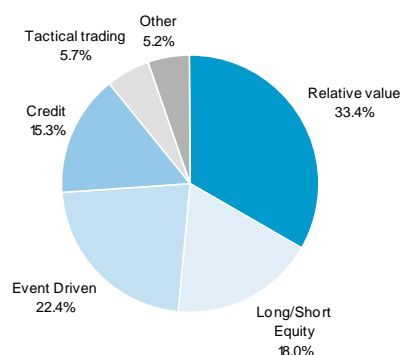
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD ⁽²⁾
2005						2.1%	3.9%	1.4%	1.4%	-3.7%	2.3%	3.2%	10.8%
2006	6.0%	0.1%	1.9%	3.7%	-4.9%	-1.6%	-1.6%	3.1%	-10.0%	2.66%	5.37%	3.27%	7.15%

(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 31 December 2006

	% of fund
Relative value	33.4%
Long/short equity	18.0%
Event driven	22.4%
Credit	15.3%
Tactical trading	5.7%
Other	5.2%
Total	100.0%

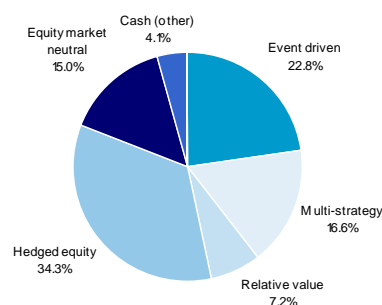
Source: Ivy Asset Management



Meridian allocation by strategy as at 31 December 2006

	% of fund
Event driven	22.8%
Multi strategy	16.6%
Relative value	7.2%
Equity market neutral	15.0%
Hedged equity	34.3%
Other (cash)	4.1%
Total	100.0%

Source: Meridian



Portfolio performance

For the final quarter of 2006, the Xenon Alpha Plus2 Portfolio increased by 11.71%. Combined with its performance since inception in May 2005, Xenon Alpha Plus2 has recorded an annualised return of 11.35%.

During the quarter the Meridian account has contributed 4.42 percentage points to total performance and the Ivy account has contributed 7.29 percentage points to total performance.

The total leverage employed per Xenon Alpha Plus2 share was \$2.68 per Share at quarter end.

Macro review

In the final quarter of 2006, global equity markets generally closed strongly and credit markets remained buoyant. Market behaviour has generally continued to demonstrate a reversal of the risk aversion seen in the second quarter of 2006.

In the US, there were a number of signs that the economy may be slowing and markets were encouraged by the Federal Reserve decision to leave interest rates unchanged. In contrast, signs of a strengthening European economy led the European Central Bank to increase interest rates in December by 0.25% to 3.50%. In Japan, the Bank of Japan left rates unchanged after increasing them in July for the first time in six years.

Over the quarter the UBS Composite Bond Index moved 0.28% higher, the S&P 500 Accumulation Index was 6.70% higher in US dollar terms and the S&P/ASX 200 Accumulation Index was up 10.94% in Australian dollar terms.

In general, the final three months of 2006 brought the type of environment that suits many hedge fund managers, including a number of event driven opportunities and generally benign credit conditions.

Strategy review

Long/short. During the quarter, global equity markets performed well which generally benefited hedge fund managers, particularly those focused on European cyclical and small cap companies.

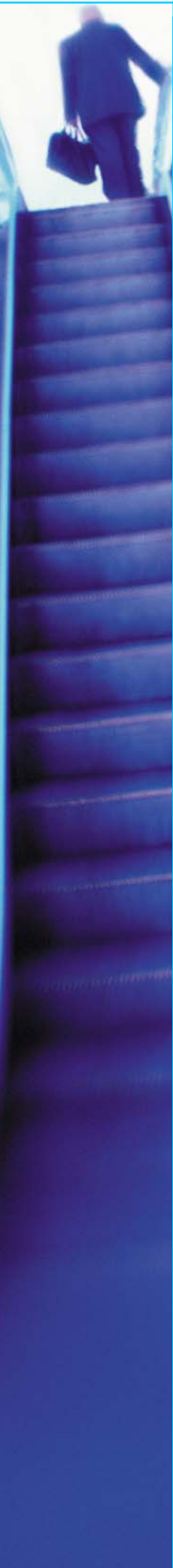
Event driven. Managers in this sector largely recorded positive results with profits generated from a continued high level of capital market activity and a generally sustained market appetite for acquisitions, mergers, spin-offs and leveraged buy-outs.

Credit. Managers focused on credit strategies generally experienced favourable credit markets in the fourth quarter. The continued low default rate and generally favourable corporate earnings contributed to strong returns in some instances.

Relative value. Relative value strategies generally performed well during the quarter, with many led by the performance of convertible arbitrage strategies. Some managers benefited from tightening credit spreads, secondary market activity and participation in new issues.

Tactical trading. In tactical trading strategies, performance in global fixed income instruments and currencies was generally mixed, while hedge fund managers with greater equity and more traditional commodity exposure mostly performed well.





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