

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 Rosewood Diversified Fund and Silver Creek Low Vol Strategies.

Performance review

Performance (to 31 March 2007)	Xenon Alpha Plus1	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation Index in USD
One month	1.00%	-0.27%	3.29%	1.12%
Three months	5.67%	1.40%	6.89%	0.64%
Six months	23.70%	1.69%	18.59%	7.38%
Annualised return since inception on 25 November 2004 ⁽¹⁾	17.10%	4.51%	25.31%	10.22%

(1) Represents the compound average growth rate since inception on 25 November 2004

Source: Deutsche Bank

Percentage change in net asset value⁽¹⁾

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD ⁽²⁾
2004												3.44%	3.44%
2005	-0.53%	2.06%	-0.46%	-3.28%	-1.55%	1.95%	1.70%	1.24%	3.78%	-2.14%	4.83%	4.76%	12.65%
2006	5.34%	0.96%	1.77%	2.66%	-2.24%	-0.05%	-0.94%	1.64%	-8.13%	2.13%	5.00%	9.16%	17.55%
2007	2.89%	1.68%	1.00%										5.67%

(1) Represents the percentage change each month in the net asset value of Xenon Alpha Plus1

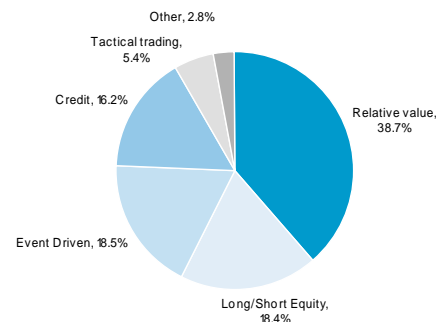
(2) Represents the year to date percentage change in the net asset value of Xenon Alpha Plus1

Source: Deutsche Bank

Ivy allocation by strategy as at 31 March 2007

	% of fund
Relative value	38.7%
Long/short equity	18.4%
Event driven	18.5%
Credit	16.2%
Tactical trading	5.4%
Other	2.8%
Total	100.0%

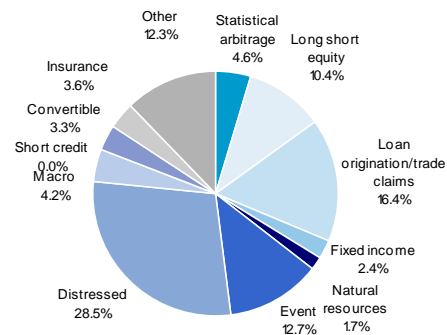
Source: Ivy Asset Management



Silver Creek allocation by strategy as at 31 March 2007

	% of fund
Statistical arbitrage	4.62%
Long/short equity	10.35%
Loan origination/trade claims	16.42%
Fixed income	2.38%
Natural resources	1.67%
Event	12.67%
Distressed	28.52%
Macro	4.21%
Short credit	0.0%
Convertible	3.32%
Insurance	3.55%
Other (cash)	12.29%
Total	100.0%

Source: Silver Creek



Portfolio performance

For the first quarter of 2007, the Xenon Alpha Plus1 Portfolio increased by 5.67%. Combined with its performance since inception, Xenon Alpha Plus1 has recorded an annualised return of 17.10%.

During the quarter the Silver Creek account contributed 3.24 percentage points to performance and the Ivy account contributed 2.43 percentage points to performance.

The total leverage employed per Xenon Alpha Plus1 was \$3.21 per Share at quarter end.

Macro review

The Financial markets started the year buoyed by better than expected GDP estimates, solid corporate profits and moderate inflation. However in late February a sudden drop in Chinese Shares initiated an acute stock market retrenchment around the globe. The markets recovered somewhat in March with reports of continued worldwide economic growth coupled with relatively benign inflation readings. However equity markets have faced significant headwinds during the first quarter.

US data reports continue to show some signs of a slowdown, and the Federal Funds rate remains at 5.25% per annum. One of the key economic concerns has been the bursting of the housing bubble, with consequent losses by lenders in the sub-prime market in particular.

In Europe, the ECB raised its benchmark rate in March to 3.75% per annum amid robust economic signs that have driven consumer confidence levels to a six year high, and the unemployment rate to a record low of 7.30%.

In Japan, the Bank of Japan increased its key overnight rate to 0.5% per annum in February. Data releases show a mixed picture for Japan's corporate and household sectors.

Over the quarter the UBS Composite Bond Index moved 1.40% higher, the S&P 500 Accumulation Index was 0.64% higher in US dollar terms and the S&P/ASX 200 Accumulation Index was up 6.89% in Australian dollar terms.

In general, the first three months of 2007 have brought increased volatility in equity markets, with one-off market shocks, major cracks in the domestic sub-prime mortgage sector, and concerns as to the extent of its impact on consumer spending, all contributing.

Strategy review

Event driven. Event driven managers continued to perform well during the quarter. European corporate buyouts and restructurings provided a number of profitable deals. The market for corporate transactions is now in its fifth straight year of expansion. Distressed managers continued to profit from sectors such as airlines, auto parts and energy related companies.

Credit. Credit managers generally performed well across the board in the first quarter. Fundamentally, markets remain supported by the low default rate, a robust M&A and private equity environment, ample liquidity and generally low interest rates.

Relative value. The equity market continued to provide opportunities for relative value strategies during the quarter. Continued uncertainty in equity markets led to heightened volatility, and market dislocations created stock price dispersion and divergent growth prospects, which added to these opportunities.

Tactical trading. In tactical trading strategies, results were mixed. The rise of the US Dollar against major currencies was counter to some managers' positions, whereas some managers did benefit from positions in the fixed income markets following a decline in US Treasury prices which was spurred by indications that inflation remains a concern for the economy.



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