

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 March 2007)	Xenon Alpha Plus2	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation in USD
One month	1.66%	-0.27%	3.29%	1.12%
Three months	7.65%	1.40%	6.89%	0.64%
Six months	20.26%	1.69%	18.59%	7.38%
Annualised return since inception on 27 May 2005 <sup>(1)</sup>	14.26%	4.34%	28.25%	11.74%

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

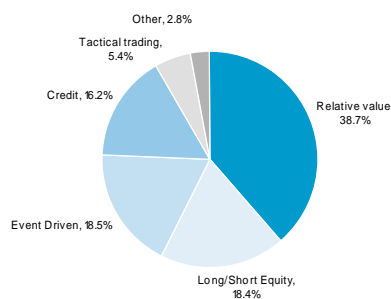
Percentage change in net asset value <sup>(1)</sup>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD <sup>(2)</sup>
2005						2.1%	3.9%	1.4%	1.4%	-3.7%	2.3%	3.2%	10.8%
2006	6.0%	0.1%	1.9%	3.7%	-4.9%	-1.6%	-1.6%	3.1%	-10.0%	2.66%	5.37%	3.27%	7.15%
2007	4.99%	0.86%	1.66%										7.65%

(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 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%

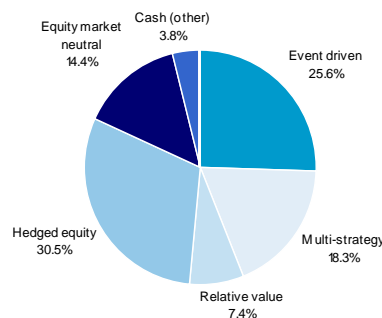
Source: Ivy Asset Management



### Meridian allocation by strategy as at 31 March 2007

	% of fund
Event driven	25.6%
Multi strategy	18.3%
Relative value	7.4%
Equity market neutral	14.4%
Hedged equity	30.5%
Other (cash)	3.8%
Total	100.0%

Source: Meridian



### Portfolio performance

For the first quarter of 2007, the Xenon Alpha Plus2 Portfolio increased by 7.65%. Combined with its performance since inception in May 2005, Xenon Alpha Plus2 has recorded an annualised return of 14.26%.

During the quarter the Meridian account has contributed 3.13 percentage points to total performance and the Ivy account has contributed 4.52 percentage points to total performance.

The total leverage employed per Xenon Alpha Plus2 share was \$3.01 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%. 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% amid robust economic signs that have driven consumer confidence levels to a six year high and the unemployment rate to a record low of 7.3%.

In Japan, the Bank of Japan increased its key overnight rate to 0.5% 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

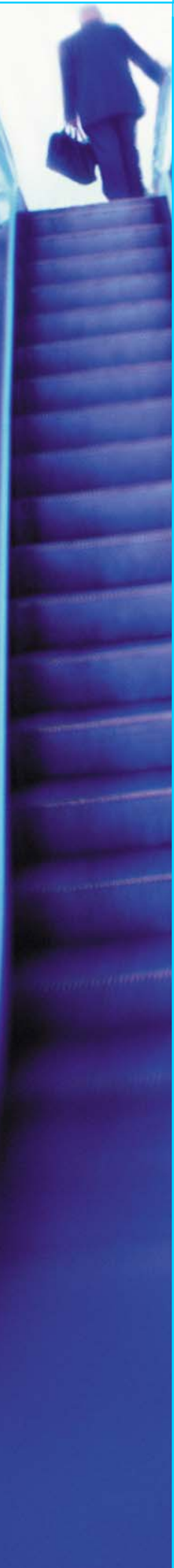
**Event driven.** Event driven managers continued to perform well during the quarter. European corporate buyouts and restructurings provided a number of profitable deals. The market for corporate transactions is now in its fifth straight year of expansion. Distressed managers continued to profit from 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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