

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 30 June 2007)	Xenon Alpha Plus1	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation Index in USD
One month	0.83%	-0.47%	-0.17%	-1.66%
Three months	7.10%	0.27%	5.43%	6.28%
Six months	13.18%	1.67%	12.70%	6.96%
Annualised return since inception on 25 November 2004 ⁽¹⁾	18.41%	4.17%	25.11%	11.78%

(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%	2.54%	3.59%	0.83%							13.18%

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

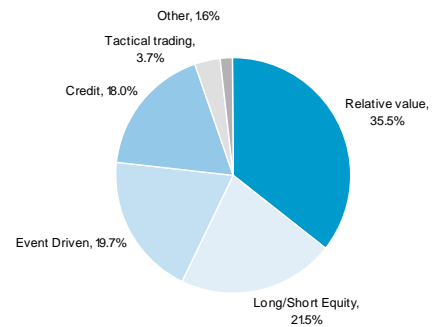
(2) Represents the year to date percentage change in the net asset value of Xenon Alpha Plus1

Source: Deutsche Bank

Ivy allocation by strategy as at 30 June 2007

	% of fund
Relative value	35.5%
Long/short equity	21.5%
Event driven	19.7%
Credit	18.0%
Tactical trading	3.7%
Other	1.6%
Total	100.0%

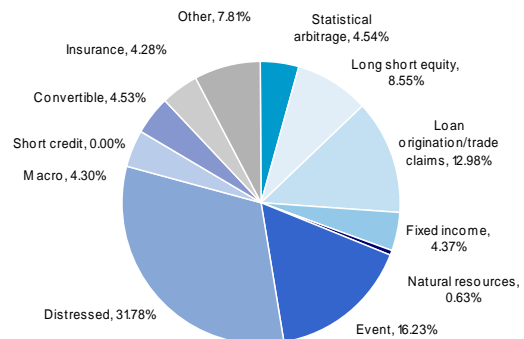
Source: Ivy Asset Management



Silver Creek allocation by strategy as at 30 June 2007

	% of fund
Statistical arbitrage	4.54%
Long/short equity	8.55%
Loan origination/trade claims	12.98%
Fixed income	4.37%
Natural resources	0.63%
Event	16.23%
Distressed	31.78%
Macro	4.3%
Short credit	0.0%
Convertible	4.53%
Insurance	4.28%
Other (cash)	7.81%
Total	100.0%

Source: Silver Creek



Portfolio performance

For the second quarter of 2007, the Xenon Alpha Plus1 Portfolio increased by 7.10%. Combined with its performance since inception, Xenon Alpha Plus1 has recorded an annualised return of 18.41%.

During the quarter the Silver Creek account contributed 4.50 percentage points to performance and the Ivy account contributed 2.60 percentage points to performance.

The total leverage employed per Xenon Alpha Plus1 was \$4.22 per Share at quarter end.

Macro review

The second quarter saw sharply rising equity markets buoyed by solid corporate profits, strong global economic growth, and a surge in global mergers and acquisitions activity in the first two months of the quarter. However, in June further deterioration in the subprime mortgage markets dragged down market returns, as some high profile funds had difficulty liquidating assets. The failure of two Bear Stearns asset backed securities (ABS) hedge funds and continued degradation of subprime fundamentals, weighed heavily on the ABS markets and also impacted sentiment and the pricing of risk across credit markets negatively.

In the US, rates remain moderately higher as at quarter end, when compared to six months ago. The Federal Reserve's somewhat hawkish tone on inflation led the yield curve to finally steepen in May, pushing the 10 year US Treasury note toward levels not seen since 2006. However the May upward move retraced towards the end of June, with weaker than expected data on prices and housing as well as a flight to quality driven by the Bear's hedge fund difficulties.

In Europe, it was a reasonably strong quarter with business and consumer confidence staying close to a six year high. Economic news was encouraging with robust overseas demand for European exports, prompting business to expand capacity. The Bank of England kept rates

on hold in June, after raising 25 bps to 5.5% in May.

In Japan, the Bank of Japan reported that exports were expected to continue rising due to the expansion of overseas economies. Domestic demand was also expected to rise due to high corporate profits and a moderate rise in household income.

Over the quarter the UBS Composite Bond Index moved 0.27% higher, the S&P 500 Accumulation Index was 6.28% higher in US dollar terms and the S&P/ASX 200 Accumulation Index was up 5.43% in Australian dollar terms.

In general, strong returns in April and May served to buffer the subprime mortgage issues that affected a number of hedge funds in June. At the end of the quarter, equity volatility and Treasury yields rose substantially, reflecting lower risk tolerance levels from equity investors concerned with the implications of increased mortgage rates, higher gas prices and the unwinding of excess credit on the future direction of the economy.

Strategy review

Event driven. In general, European managers profited from participating in a number of high profile deals. In the more difficult month of June, best performance came from "safer" (more likely to close) deals, and those with tighter hedges to equity markets. Distressed managers were positive across the board, benefiting from trades in sectors such as airlines, energy, auto and cable and wireless. In June, the widening of credit spreads created the largest opportunity for returns.

Credit. Credit strategies performed well despite the turmoil. The loan market experienced exceptional downside volatility and cash loans were priced lower.

Equity. In world stock indices, a strong April and May accounted for most of the quarter's impressive gains. Early in the second quarter, stocks were buoyed by a stream of favourable corporate earnings and profitable deal making activity. By June, investors grew concerned about tepid economic growth reports, weak housing



data, rising long term interest rates, high energy prices, and a subprime mortgage sell-off. Despite this, quarter end profits were largely preserved, with investors preferring bellwether stocks.

Tactical Trading. The upward trend in global equity markets was helpful for trend following strategies, as systematic traders were well tuned to the market, capturing upside in April and May, while avoiding much of the downturn in June. Other markets that were beneficial to the strategy were fixed income and currencies.

Relative Value. It was generally a stronger quarter for this strategy with the greatest

success coming from managers with significant event driven and market-neutral equity positions. Profitable trading themes included emerging markets, merger-related situations, market neutral equity-based positioning (particularly in Asia) and short biased credit trades in the U.S.

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