xenon Deutsche

Xenon Alpha Plus1 Quarterly report for period 1 Jul – 30 Sep 2007

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 September 2007)	Xenon Alpha Plus1	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation Index in USD
One month	1.18%	-0.05%	5.56%	3.74%
Three months	-2.83%	1.50%	5.89%	2.03%
Six months	4.08%	1.77%	11.64%	8.44%
Annualised return since inception on 25 November 2004[1]	15.48%	4.34%	25.15%	11.47%

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

Source: Deutsche Bank

Percentage change in net asset value[1]

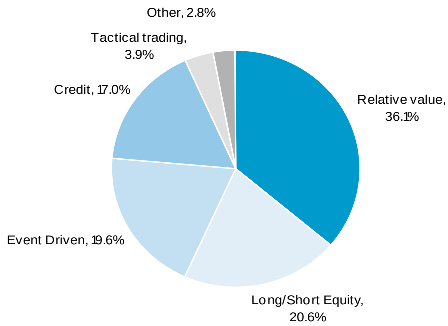
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD[2]
2004												3.44%	3.44%
2005	-0.53%	2.06%	-0.46%	-3.28%	-1.55%	1.95%	1.70%	1.24%	3.78%	-2.14%	4.83%	4.76%	12.65%
2006	5.34%	0.96%	1.77%	2.66%	-2.24%	-0.05%	-0.94%	1.64%	-8.13%	2.13%	5.00%	9.16%	17.55%
2007	2.89%	1.68%	1.00%	2.54%	3.59%	0.83%	0.68%	-4.61%	1.18%				9.98%

(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 1 October 2007

	% of fund
Relative value	36.1%
Long/short equity	20.6%
Event driven	19.6%
Credit	17.0%
Tactical trading	3.9%
Other	2.8%
Total	100.0%

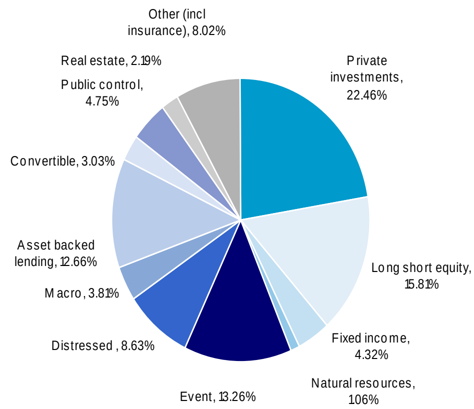
Source: Ivy Asset Management



Silver Creek allocation by strategy as at 30 Sep 2007

	% of fund
Private investments	22.46%
Long/short equity	15.81%
Event	13.26%
Asset backed lending	12.66%
Distressed	8.63%
Other (including insurance)	8.02%
Public control	4.75%
Fixed income	4.32%
Macro	3.81%
Convertible	3.03%
Real estate	2.19%
Natural resources	1.06%
	100.0%

Source: Silver Creek



A Passion to Perform. Deutsche Bank

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Portfolio performance

For the third quarter of 2007, the Xenon Alpha Plus1 Portfolio decreased by 2.83%. Combined with its performance since inception, Xenon Alpha Plus1 has recorded an annualised return of 15.48%.

During the quarter the Silver Creek account contributed -1.32 percentage points to performance and the Ivy account contributed -1.51 percentage points to performance.

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

Macro review

The third quarter of 2007 saw global capital markets experience significant volatility. Due to spill-over effects from the growing sub-prime mortgage crisis into global equity and credit markets there was an increase in volatility, absence of liquidity, and technical pricing pressures.

In the US, troubles in domestic housing markets and uncertainty over the impact of rising foreclosures on the economy, caused significant disruption in domestic US credit markets, notably the dramatic decline of sub-prime mortgage instruments, related credit ratings downgrades and losses experienced by mortgage lenders, investment banks and several high profile hedge funds.

In early August, the turmoil turned into a fully-fledged credit crunch. Investors looked to take down the size of their balance sheets, with securities commonly financed by the leveraged community being particularly hard hit as scarcity of capital severely impacted available financing support for these positions. The contagion also hit the asset-backed commercial paper markets. Difficulties in commercial paper markets then spread to interbank money markets.

During the second half of the quarter, coordinated liquidity injections by global central banks provided some relief to global markets. Markets started turning around with the Fed cutting its funds rate by 0.5% in mid-September and the European Central Bank, Bank Of England and Bank Of Japan holding their policy rates steady in August and September.

By the end of September, major equity indices had experienced a strong rally and reverted to where they were about two and a half months prior.

Over the quarter the UBS Composite Bond Index moved 1.50% higher, the S&P 500 Accumulation Index was 2.03% higher in US dollar terms and the S&P/ASX 200 Accumulation Index was up 5.89% in Australian dollar terms.

Strategy review

Event driven. There were mixed results, with difficulties in credit markets creating a challenging environment. Deal volume slowed significantly as uncertainty and risk aversion spread from the Asset Backed Security space into Collateralised Loan Obligations, high yield and Leveraged Buyout space. Distressed managers also struggled, hindered by a volatile credit environment. Although there were virtually no defaults, the distressed market moved down in sympathy with the broader credit markets in July and August. There was some rebound late in the quarter as credit markets came off lows and investors regained some appetite for distressed assets.

Credit. There was a breakdown of fundamental pricing relationships among related credit instruments across capital structures, credit curves and in credit indices versus their underlying constituents. September, compared to July and August, was relatively benign in credit markets. Following the Fed rate cut, high yield credit markets rebounded and spreads tightened across the board.

Equity. World equity indices were mixed over the quarter, with most managing a recovery after the mid-quarter sell-off. Large cap names outperformed smaller caps, growth stocks outpaced value stocks and emerging markets overall outperformed the broader markets. In the first half, disappointing earnings announcements combined with the ripple effects of the sub-prime credit crisis, began to decrease investor risk appetite globally. Equities suffered from this global reallocation away from more volatile assets. Equities took comfort in the Fed's liquidity injection in the second half of the quarter, rallying through the end of August and into September. The Fed's 0.50% rate cut inspired confidence in investors, as credit markets began to stabilise and some M&A activity returned.

Tactical Trading. Generally, tactical trading managers had a positive quarter. Higher market volatility, yield curve steepening, trends in foreign exchange markets resulting in a weaker dollar, and strong moves in commodities, led to many long and short term trading opportunities, especially for those managers that trade based on momentum factors.

Relative Value. Early in the quarter, the relative value sector experienced dislocations that had origins in the credit markets. Statistical arbitrage managers performed poorly and are still in a mode of recovery. Multi-strategy managers with equity, event and credit exposures had a mixed quarter. Convertible arbitrage managers generally performed well, as credit spreads tightened in September and realised volatility of equities underlying convertible names remained high after the volatility spike in July. Credit relative value and capital structure arbitrage suffered throughout the quarter.