

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 2007)	Xenon Alpha Plus2	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation in USD
One month	-1.07%	-0.16%	-2.72%	-0.69%
Three months	2.73%	0.25%	-2.73%	-3.33%
Six months	-0.24%	1.76%	3.00%	-1.37%
Annualised return since inception on 27 May 2005 <sup>(1)</sup>	13.41%	3.86%	23.13%	10.17%

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

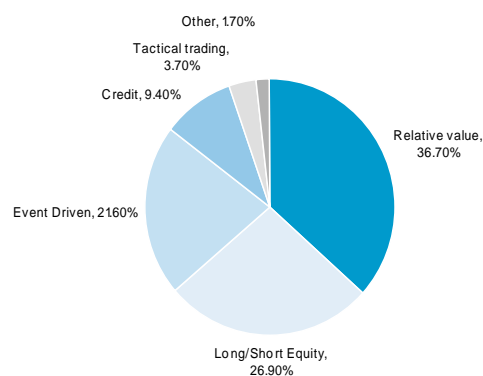
Percentage change in net asset value <sup>(1)</sup>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD <sup>(2)</sup>
2005						2.1%	3.9%	1.4%	1.4%	-3.7%	2.3%	3.2%	10.8%
2006	6.0%	0.1%	1.9%	3.7%	-4.9%	-1.6%	-1.6%	3.1%	-10%	2.66%	5.37%	3.27%	7.15%
2007	4.99%	0.86%	1.66%	2.85%	5.89%	-0.15%	-0.91%	-5.24%	3.41%	5.18%	-1.27%	-1.07	16.77%

(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 1 January 2008

	% of fund
Relative value	36.7%
Long/short equity	26.9%
Event driven	21.6%
Credit	9.4%
Tactical trading	3.7%
Other	1.7%
Total	100.0%

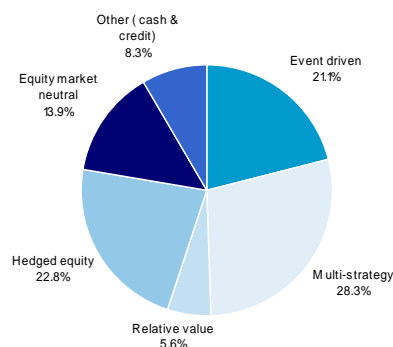
Source: Ivy Asset Management

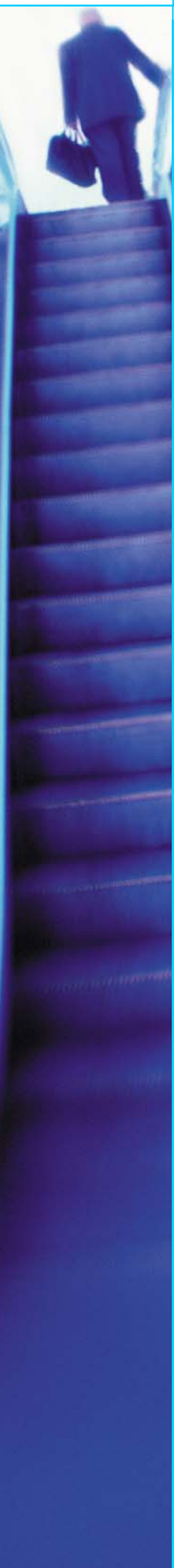


### Meridian allocation by strategy as at 1 January 2008

	% of fund
Multi strategy	28.3%
Hedged equity	22.8%
Equity market neutral	13.9%
Event driven	21.1%
Other (cash & credit)	8.3%
Relative value	5.6%
Total	100.0%

Source: Meridian





## Portfolio performance

For the fourth quarter of 2007, the Xenon Alpha Plus2 Portfolio increased by 2.73%. Combined with its performance since inception in May 2005, Xenon Alpha Plus2 has recorded an annualised return of 13.41%.

During the quarter the Meridian account contributed 1.77 percentage points to performance and the Ivy account contributed 0.96 percentage points to performance.

The total leverage employed per Xenon Alpha Plus2 was \$4.55 per Share at quarter end.

## Macro review

Global equity markets ended the year on a weaker note. The last quarter proved challenging to domestic and global capital markets, as upbeat reports of stronger than expected third quarter US GDP growth and advances across emerging equity markets were quickly overshadowed by concerns that the sub-prime contagion would trigger a recession in the US and spread to other world economies. At the same time, US economic growth appeared to be entering a downward path hurt by record energy prices, a depressed housing sector, weakening manufacturing and rising consumer inflation.

In a bid to avert a hard landing the US Federal Reserve continued its easing cycle with two additional 25 basis point reductions in the Fed Funds rate.

In addition, central banks globally intervened during December, providing liquidity to the markets and alleviating money market funding pressures.

Despite these coordinated actions, the S&P ended the quarter with a loss of 3.3%.

## Strategy review

**Event Driven.** Event driven managers largely detracted from performance, as weak credit conditions overshadowed catalyst driven situations and increased the likelihood that corporate activity would continue to slow into 2008.

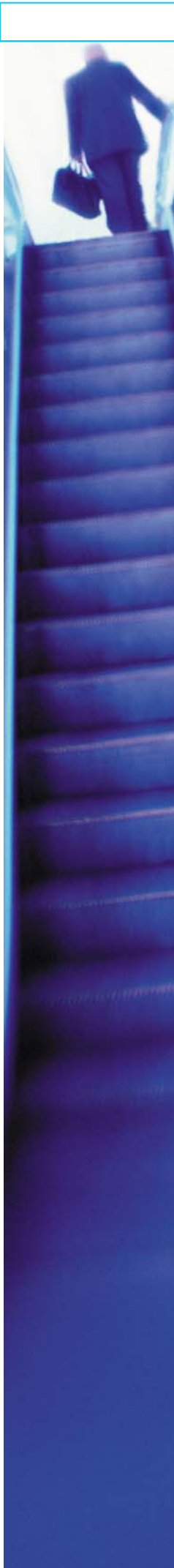
**Credit.** Substantial gains were realised from net short exposures in sub-prime mortgage instruments and high yield credit. These gains were partially offset by the underperformance of net long positions in leveraged loans in the face of widening spreads and challenging credit markets.

**Equity.** Long/short equity managers, particularly those in the emerging markets, performed well, proactively managing exposures to preserve capital. Managers employing hedged equity strategies finished the quarter with net gains, boosted by net long exposures to the energy, technology, industrial and basic materials sectors. Manager returns were also aided by gains from short positions in financial services and sub-prime related holdings.

**Tactical Trading.** In general, tactical trading managers performed strongly, capitalising on a number of trends that emerged in recent months.

**Relative Value.** The relative value strategy generated mixed performance, with those managers positioned to benefit from continued dislocation in the financial space outperforming their peers.





**Important notice.** Whilst this publication relates to the quarter ending 31 December 2007, it may be published some time after that date. However, this publication does not reflect, or take into account, any events or circumstances occurring in the period between the relevant quarter end and the date of publication.

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