

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 2008)	Xenon Alpha Plus1	UBS Composite Bond Index	S&P/ASX 200 Accumulation Index	S&P 500 Accumulation Index in USD
One month	-5.25%	1.60%	-3.31%	-0.43%
Three months	-5.80%	2.21%	-14.39%	-9.44%
Six months	-4.23%	2.47%	-16.73%	-12.46%
Annualised return since inception on 25 November 2004 <sup>(1)</sup>	11.28%	4.44%	14.57%	5.39%

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

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>
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%	3.82%	-0.65%	-1.42%	11.82%
2008	-3.30%	2.80%	-5.25%										-5.80%

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

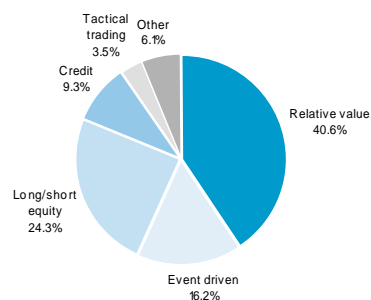
(2) Represents the year to date percentage change in the net asset value of Xenon Alpha Plus1

Source: Deutsche Bank

### Ivy allocation by strategy as at 1 April 2008

Source: Ivy Asset Management

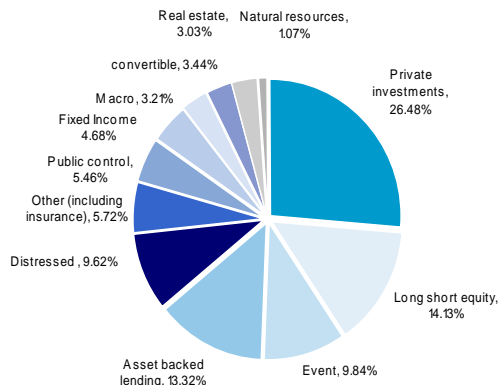
	% of fund
Relative value	40.6%
Long/short equity	24.3%
Event driven	16.2%
Credit	9.3%
Tactical trading	3.5%
Other	6.1%
<b>Total</b>	<b>100.0%</b>



### Silver Creek allocation by strategy as at 31 March 2008

Source: Silver Creek

	% of fund
Private investments	26.48%
Long/short equity	14.13%
Event	9.84%
Asset backed lending	13.32%
Distressed	9.62%
Other (including insurance)	5.72%
Public control	5.46%
Fixed income	4.68%
Macro	3.21%
Convertible	3.44%
Real estate	3.03%
Natural resources	1.07%
<b>Total</b>	<b>100.0%</b>



## Portfolio performance

For the first quarter of 2008, the Xenon Alpha Plus1 Portfolio decreased by 5.80%. Combined with its performance since inception, Xenon Alpha Plus1 has recorded an annualised return of 11.28%.

During the quarter the Silver Creek account contributed -3.60 percentage points to performance and the Ivy account contributed -2.20 percentage points to performance.

The total leverage employed per Xenon Alpha Plus1 was \$4.28 per Share at quarter end.

## Macro review

The first quarter of 2008 was a challenging period for hedge fund investing. Against a backdrop of weakening US data, credit markets continued to experience significant dislocations, global equity markets weakened significantly, and a systematic deleveraging across the financial sector put severe pressure on many asset classes. In addition, global liquidity deteriorated throughout March, which caused the US Federal Reserve to undertake some historic steps:

- First the Fed expanded its securities lending program, where significant amounts of capital have been made available to banks and primary dealers, as well as in the repo markets where loan terms have been lengthened.
- Second, the Fed provided assistance to J.P. Morgan which agreed to acquire Bear Stearns & Co.
- Finally, the Fed also continued to ease monetary policy, aggressively cutting rates (three times during the quarter), with the Federal funds rate moving from 4.50% to 2.25%.

The turmoil in credit markets and concerns about the prospect of a global slowdown caused major global equity markets to sell off 20% or more from their

highs set in October 2007. Every sector in the S&P500 declined in the first quarter.

## Strategy review

**Event Driven.** It was a challenging environment for event driven managers as investor uncertainty and volatile markets led to an elevated level of broken deals. Deal activity was muted over the quarter due to difficulties of companies accessing capital through the traditional equity and debt markets. Furthermore, risk reduction and forced selling by a handful of merger arbitrage, value/event and distressed investors put additional pressure on the space, causing significant mark-to-market volatility.

**Credit.** Conditions in credit markets were highly challenging again in this quarter, as a negative feedback loop between the continued credit crunch and deteriorating macro economic conditions made life difficult for many credit orientated managers. The lack of liquidity in the various segments of the credit markets was evident, weighing heavily on the price of the related securities.

**Equity.** While equity markets ended the quarter off their lows, markets sold off dramatically during the quarter. Though interest rate cuts by the US Federal Reserve brought moments of relief, these gains tended to lack the depth and breadth of past rallies. This led to a number of trend reversals, which served to keep volatility elevated. Overall, the quarter was a challenging period for equity managers and performance was therefore mixed.

**Tactical Trading.** In general, tactical trading managers performed well during the quarter, with the main drivers being movements in equities and commodities, initially established in 2007, that continued to extend during the first quarter of 2008.

**Relative Value.** Relative value managers had a mixed performance over the quarter, as some managers benefited from rising equity volatility while others with more equity and credit sensitive portfolios posted moderate losses.



**Important notice.** Whilst this publication relates to the quarter ending 31 March 2008, 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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